



**Norad  
Avdeling for sivilt samfunn  
Postboks 8034, Dep.  
0030 Oslo**

Oslo, 23 June 2010

**Your  
ref.:** GLO-0603 GLO-04/268

**Our  
ref.:** Norad 2009

**SUBJECT: FINANCIAL REPORT 2009,  
NORWEGIAN CHURCH AID COOPERATION AGREEMENT 2009**

Norwegian Church Aid is pleased to submit the audited financial report on grants from Norad to Norwegian Church Aid for the year 2009:

- *GLO-0603/GLO 04/268, Cooperation Agreement - Global Grant*
- *Various - Regional Programme Female Genital Mutilation (100%)*
- *Various - Countries in Southern Africa and Eastern Africa on Indigenous People, including regional programmes (100%)*
- *Oil for Development, Mauretania*
- *Earmarked funding to northern Mali*
- *Addendum no. 2: Zambia*

**This report includes the following appendices:**

- 1) Auditor's report from PricewaterhouseCoopers
- 2) Spreadsheets of the allocations granted through global grant financing from Norad, sorted per region and country, verifying expenses and unused funds as per 31.12.2009
- 3) Spreadsheets of the allocations granted through 100% financing from Norad, sorted per grant, per region and per country, verifying expenses and unused funds as per 31.12.2009

In addition the following documents are attached:

- 4) A report on total expenditures of all projects included in the Norad - Norwegian Church Aid Cooperation Agreement, in Norad format sorted by Norad reference numbers ("Delrammeskjema")
- 5) A report showing all countries with allocations from Norad in 2009, with figures and percentages compared to the total allocated from all financing sources
- 6) Copy of Norwegian Church Aid's letter to Norad on repayment of interest earned on Norwegian Church Aid's Norad bank accounts in 2009
- 7) Norwegian Church Aid annual financial statements 2009 (In Norwegian), including auditor's report
- 8) Norwegian Church Aid Annual Review for 2009
- 9) Annual Report 2009 on Norwegian Church Aid's work against corruption

## 1. OVERVIEW OF GRANTS AND DISTRIBUTION 2009

The Five-Year Cooperation Agreement (2005-2009) between Norad and Norwegian Church Aid was prolonged last year to 2010.

The organisational review of Norwegian Church Aid in 2006-7 referred to in your grant later dated 26 February 2009, is included in the scope of work currently being done by a team consisting of COWI and Norad. We understand that there are no other issues that need to be specifically addressed in this report.

The total amount granted to Norwegian Church Aid for activities in 2009 is NOK 163 million, including 8% administration support for the Head Office. The total amount granted to Norwegian Church Aid for activities in 2009 is NOK 163 million, including 8% administration support for the Head Office. The funds were partly granted with a 10% co-financing requirement.

Reporting on 2009 grants is in accordance with the Five-Year Cooperation Agreement (2005-2009) between Norad and Norwegian Church Aid.

**TABLE 1: Summary of Grants 2009**

Norad reference	Name of Grant	Granted Amount for Projects 2009	Additional for Adm. (8%)	Total Grant (incl. 8% Adm.)	Date of Grant
GLO-0603 GLO-04/268	Global Grant	129 836 852	10 386 948	140 223 800	26.02.2009
<b>Total Norad General</b>		<b>129 836 852</b>	<b>10 386 948</b>	<b>140 223 800</b>	
Various	Regional Programme Female Genital Mutilation Eastern Africa, West- and Central Africa, Middle East.	4 537 037	362 963	4 900 000	26.02.2009
Various	Regional Programme Indigenous People in Southern Africa and Eastern Africa, including regional programmes.	2 890 000	231 200	3 121 200	26.02.2009
Various	Oil for Development 2008; Capacity Building of PWYP in Mauritania.	754 630	60 370	815 000	26.02.2009
Various	Earmarked Mali-program, 'Strategic development to (Northern) Mali'	5 500 000	440 000	5 940 000	26.02.2009
<b>Total Norad Other</b>		<b>13 681 667</b>	<b>1 094 533</b>	<b>14 776 200</b>	
<b>Addendum No. 2, Zambia</b>		<b>7 407 407</b>	<b>592 593</b>	<b>8 000 000</b>	<b>19.05.2009</b>
<b>Total granted from Norad</b>		<b>150 925 926</b>	<b>12 074 074</b>	<b>163 000 000</b>	

**TABLE 2: Regional Distribution of Norad Grants 2009**

Region	Allocations Norad General 2009	% of tot.	Allocations 100% 2009	Norad Cooperation Agreement total (excl. 8% adm) 2009
Eastern Africa	38 057 100	28 %	3 081 833	41 138 933
West- and C. Africa	13 218 512	10 %	8 529 834	21 748 346
Southern Africa	34 348 507	25 %	1 920 000	36 268 507
<b>Sum Africa</b>	<b>85 624 119</b>	<b>61 %</b>	<b>13 531 667</b>	<b>99 155 786</b>
South Asia	4 037 000	3 %		4 037 000
Southeast Asia	8 270 000	6 %		8 270 000
Middle East and C. Asia	11 301 000	8 %	150 000	11 451 000
<b>Sum Asia</b>	<b>23 608 000</b>	<b>18 %</b>	<b>150 000</b>	<b>23 758 000</b>
Latin America	13 927 000	10 %		13 927 000
Global Programmes	5 908 117	4 %		5 908 117
NCA Global	5 177 023	4 %		5 177 023
<b>Subtotal development</b>	<b>134 244 259</b>	<b>98 %</b>	<b>13 681 667</b>	<b>147 925 926</b>
Info Prog. Norway	3 000 000	2 %		3 000 000
<b>Total</b>	<b>137 244 259</b>	<b>100 %</b>	<b>13 681 667</b>	<b>150 925 926</b>
Administration 8%	10 979 541		1 094 533	12 074 074
<b>Total incl. 8 % adm.</b>	<b>148 223 800</b>		<b>14 776 200</b>	<b>163 000 000</b>

## **2. GENERAL COMMENTS TO THE REPORT AND TO NORWEGIAN CHURCH AID'S INTERNAL ROUTINES**

Norad grants accounted for approximately 20 % of Norwegian Church Aid revenue in 2009. Norad's contribution to the project portfolio was NOK 151 million (Table 1) out of a total project portfolio in 2009 of NOK 715 million (Appendix 7) Though an increasing number of other external financing sources contribute to the work of Norwegian Church Aid and its partners, Norad remains a major contributor to NCA's engagement in long term development.

A total of 374 Norwegian Church Aid supported projects received funding from Norad in 2009, covering 205 bilateral (partner) and 169 operational interventions in 37 countries. This is small increase in the figures from 2008 where the figures was 355 projects in 36 countries, but the long term tendency is however opposite: In 2007 the same figures was 371 projects and 38 countries and in 2006, 434 projects in 42 countries. For an overview over country distribution of Norad funds – and use of own funds, please refer to Appendix 5.

### **2.1 FINANCIAL MANAGEMENT**

For the first time, Norwegian Church Aid is for 2009 presenting consolidated audited accounts for our global operation. We have previously operated with independent, decentralised accounting systems for the Head Office in Norway and at the Representation offices abroad. The transition to one common global integrated accounting and project management system for the whole organisation started in 2007, and will be finalized in 2011. Our experience so far promises more up-to-date, integrated and holistic information to contribute to better decision-making.

The process of streamlining accounting routines, introduce new procedures, develop documentation and evaluate the current division of labour in the organisation is in progress, but will be fully completed when all Norwegian Church Aid offices have come online.

Norwegian Church Aid has during 2009 re-positioned the financial controller function at the Head Office, and continues to increase its commitment to training and competence building of staff members at home and abroad

## **2.2 MANAGEMENT LETTERS FROM REPRESENTATIONS' AUDITORS**

Norwegian Church Aid prioritises initiatives that make the organisation more transparent. In line with this principle, we hereby present a summary of issues reported in management letters from external auditors to Norwegian Church Aid Representations.

- Exchange rate: Several Representations, not yet on the new system, have failed to update the exchange rates in their respective accounting systems during the year. Note that the new global accounting system enables more hands on control in this area from Head Office.
- Staff receivables: Old balances pertaining to Southern Sudan need reconciliation, work which management had started on but needs completing. Need for more stringent compliance with Norwegian Church Aid routines surrounding advances to staff for travel and purchases in Tanzania and Lao.
- Supporting documents: Original invoices relating especially to expenses incurred in Norway had not been attached with vouchers booked in the Great Lakes. Travel expenses should be accompanied by a "mission report" in Mali.
- Language: Several Representations have struggled with vouchers from Norway because of their not being translated from Norwegian.
- Fixed assets: Need to improve discipline in the area of physical verification, updating the fixed assets register and reconciliation with the general ledger at several Representations. Lack of insurance in Eritrea, Jordan and Iraq.
- Accruals: Inaccurate periodic accrual of expenses in Jordan, Middle-East and Lao.
- Reconciliation: Income not fully reconciled with Head Office for Middle-East.
- Cash: Implementation of earlier auditors' recommendations to improve controls surrounding cash management in Mali has not been completed. Management continues to work with the recommendations. Additionally, there were two examples of cash balances exceeding the maximum prescribed by NCA procedures.
- Procurement committee: Although the earlier recommendation to initiate a procurement committee in Mali has been followed up, there have not been any meetings.
- Salary: Lack of discipline in the control environment relating to the payroll in Great Lakes and Iraq.
- Tax issues: Recommendations to improve the accuracy of taxation accounting and submission in Pakistan, Sri Lanka and Tanzania.
- Reporting from implementing partners: Several cases of deadlines for partner's Annual Financial Statements not followed.

- Transfers to partners: Lack of confirmation documents of transfers to partner. We emphasise that the confirmations are one of several procedures to secure that funds transferred reach partner organisations.

Norwegian Church Aid, both at Head Office and at Representations, prioritises following up management letter points highly, and many of the issues of the above have subsequently been resolved.

### **2.3 Specific issues**

Please refer to the Annual Report 2009 Norwegian Church Aid's work against corruption for a more complete overview of issues relating to 2009 (Attachment 9). There have been developments in one of the issues included in the Annual Report (Attachment 9), as described below.

Norwegian Church Aid received information in autumn 2009 indicating contradictory information from the United Baptist Church of Burundi (UEBB) in its reporting to different donors. Additionally, the Secretary General of UEBB started his own organisation, which he then introduced to donors as a new department of UEBB that would implement development and emergency projects for UEBB. Information received later revealed that the new organisation has no formal connection with UEBB, and is a separate organisation. Several rumours of internal struggles and financial irregularities have sprung out of the organisation. In response, Norwegian Church Aid has initiated a process to conduct a special audit, in close coordination with other donors.

The auditors commenced their work in March 2010, but due to the complexity of the work, the audit report is still not finalized. Norwegian Church Aid is closely monitoring this matter.

### 3. COMMENTS TO REPORT ON 2009 GRANTS

For activities in 2009, Norwegian Church Aid received NOK 163 million, including 8% administration support for Head Office. As stated in table 1 in the previous section, the net amount allocated towards projects adds up to NOK 151 million. An overview of allocations, expenditures, and unused funds of all 2009 grants is included in Table 3.

According to the Cooperation Agreement 2005-2009 between Norad and Norwegian Church Aid, funds granted must be expensed within the year they are granted. Any unused funds at the end of the calendar year are repayable to Norad.

**TABLE 3: Grants, expenditures, unused funds sorted per grant 2009**

Norad ref.	Name of Grant	Allocated 2009 including 8% adm.	Expensed 2009 including 8% Adm.	Unused Funds 31.12.09, Incl. 8% Adm.
GLO-0603 GLO-04/268	Global grant	140 223 800	139 857 992	365 808
<b>Subtotal Norad General</b>		<b>140 223 800</b>	<b>139 857 992</b>	<b>365 808</b>
Various	Regional Programme Female Genital Mutilation Eastern Africa, West- and Central Africa, Middle East.	4 900 000	4 794 960	105 040
Various	Regional Programme Indigenous People in Southern Africa and Eastern Africa, including regional programmes	3 121 200	3 025 601	95 599
Various	Oil for Development 2008; Capacity Building of PWYP in Mauretania	815 000	732 430	82 570
Various	Earmarked Mali-program, 'Strategic development to (Northern) Mali'	5 940 000	5 955 321	-15 321
<b>Subtotal Norad Other</b>		<b>14 776 200</b>	<b>14 508 312</b>	<b>267 888</b>
<b>Addendum No. 2, Zambia</b>		<b>8 000 000</b>	<b>7 907 356</b>	<b>92 643</b>
<b>GRAND TOTAL</b>		<b>163 000 000</b>	<b>162 273 660</b>	<b>726 340</b>

As table 3 above shows, unused funds to be repaid Norad of the 2009 grant is NOK 726 340. Norwegian Church Aid will repay the funds to Norad upon approval of this report. This section includes details on the regional distribution, as well as the distribution of unused funds between Norwegian Church Aid and local partners. We are pleased that the amount of unused funds is on a historic low level.

Norwegian Church Aid aims at using the resources at our disposal in the most efficient and effective manner throughout the year, and we are grateful for the flexibility given to us by Norad to reallocate a certain amount of funds to match the needs that arise during implementation.

#### 3.1 UNUSED FUNDS AS PER 31.12.2009: NORWEGIAN CHURCH AID HEAD OFFICE AND REPRESENTATIONS

As shown in table 4 below, the combined result of activities carried out by Norwegian Church Aid Representations and Head Office show *over-expenditure* of NOK 539 542 (including administration). The figures in 2008, was NOK 1.8 million in under-expenditure. The over expenditure was mainly in Eastern Africa Region and Global Programmes.

We underline the fact that, overall, there has been a clear improvement in follow up and systematic work around budgeting, periodic reporting and re-allocating of funds etc. This has led to a clear decrease in unused funds, especially in regions that traditionally have had a high amount of unused funds, like West- and Southern Africa.

**Table 4: Unused funds with NCA 2009**

<b>Region</b>	<b>Total Allocations 2009</b>	<b>Unused NCA 2009</b>	<b>Unused NCA 2008 (at 1.7.2009)</b>
Eastern Africa	38 057 100	-345 207	-139 966
West and Central Africa	13 218 512	21 886	250 060
Southern Africa	26 941 100	-71 882	751 101
South Asia	4 037 000	-	-
Southeast Asia	8 270 000	124 210	103 469
Middle East & Central Asia	11 301 000	77 730	463 912
Latin America	13 927 000	52 454	372 557
Global Programmes	5 908 117	0	-
NCA Global	5 177 023	-243 929	77 554
Info programme Norway	3 000 000	-137 343	-299 999
<b>Total Norad General</b>	<b>129 836 852</b>	<b>-522 081</b>	<b>1 578 688</b>
FGM Grant (100%)	4 537 037	51 208	88 538
Indigenous Peoples Grant (100%)	2 890 000	5 045	-
Peace and Development Northern Mali	5 500 000	-33 748	-
Oil for development	754 630	-	-
PWYP	0	-	-5 368
<b>Total Norad Other</b>	<b>13 681 667</b>	<b>22 505</b>	<b>83 170</b>
<b>Addendum No. 2, Zambia</b>	<b>7 407 407</b>	<b>0</b>	
<b>Total Norad Genera, Other and Addendum No. 2</b>	<b>150 925 926</b>	<b>-499 576</b>	<b>1 661 859</b>
<b>Administration 8%</b>	<b>12 074 074</b>	<b>-39 966</b>	<b>132 949</b>
<b>Total Norad incl. 8% adm</b>	<b>163 000 000</b>	<b>-539 542</b>	<b>1 794 807</b>

### 3.2 COMMENTS TO PARTNERS' PERFORMANCE 2009

We continue to see that the quality has improved of reports coming from partners. There are, however, still work do be done around budget variance reports, and audit reports with reservations. These partners are, however, closely followed up and monitored by our representations. Although some partners are still presenting specific audited project accounts, NCA is becoming more consistent in requiring financial statements for the entire partner organisations.

We have also this year continued our work around capacity-building in the area of financial management and reporting. This is an ongoing activity from both our representation in the field and from our financial controllers at the Head Office. In some countries there are however, difficult to recruit personnel with necessary qualifications to fill key positions in our offices. In all regions there are still partners that need further support and capacity-building.

Regarding a presentation of the amounts of unused funds, please see section 3.3 below for the amounts and details.

We are in a process where we are focusing our work, both thematically and geographically. This will have effect on our ability to support and monitor partners even better than today.

### 3.3 UNUSED FUNDS AS PER 31.12.2009: PARTNERS

Table 5 below, shows 2009 grant amounts (allocations), unused funds and comparatives for 2008. All unused funds remaining with partners will be repaid to Norad.

Out of the total unused funds with partners, Norad's share amounts to NOK 1.2 million (including administration support) which is under 1 % of the total grants from Norad to Norwegian Church Aid for 2009 and a clear reduction from 2008.

Table 5: Unused funds with partners 2009

Region	Total Allocations 2009	Unused partner 2009	Unused partner 2008 (at 1.7. 2009)
Eastern Africa	38 057 100	122 779	101 792
West and Central Africa	13 218 512	144 744	217 763
Southern Africa	26 941 100	324 619	558 202
South Asia	4 037 000	29 123	8 970
Southeast Asia	8 270 000	26 671	116 571
Middle East & Central Asia	11 301 000	182 690	131 821
Latin America	13 927 000	10 525	251 986
Global Programmes	5 908 117	19 640	291 297
NCA Global	5 177 023	0	0
Info programme Norway	3 000 000	0	0
<b>Total Norad General</b>	<b>129 836 852</b>	<b>860 792</b>	<b>1 678 402</b>
FGM Grant (100%)	4 537 037	46 051	144 913
Indigenous Peoples Grant (100%)	2 890 000	83 473	120 459
Peace and Development Northern Mali	5 500 000	19 562	
Oil for development	754 630	76 454	346 286
<b>Total Norad Other</b>	<b>13 681 667</b>	<b>225 539</b>	<b>611 658</b>
<b>Addendum No. 2, Zambia</b>	<b>7 407 407</b>	<b>85 781</b>	
<b>Total Norad Genera, Other and Addendum No. 2</b>	<b>150 925 926</b>	<b>1 172 113</b>	<b>2 290 060</b>
<b>Administration 8%</b>	<b>12 074 074</b>	<b>93 769</b>	<b>183 205</b>
<b>Total Norad incl. 8% adm</b>	<b>163 000 000</b>	<b>1 265 882</b>	<b>2 473 265</b>

The main regions with under-expenditure this year, as in 2008, were Southern Africa. But we are pleased with the improvement that has been done since last year.

### 3.4. AUDITED FINANCIAL STATEMENTS PENDING: PARTNERS

Table 6: Audited Financial Statements Pending 2009

Region	Total Allocation 2009	AFS not received 2009	% AFS pending 2009	% AFS pending 2008
Eastern Africa	38 057 100	350 000	1 %	4 %
West and Central Africa	13 218 512	0	0 %	0 %
Southern Africa	26 941 100	790 000	3 %	4 %
South Asia	4 037 000	0	0 %	7 %
Southeast Asia	8 270 000	300 000	4 %	4 %
Middle East & Central Asia	11 301 000	600 000	5 %	9 %
Latin America	13 927 000	2 225 000	16 %	3 %
Global Programmes	5 908 117	2 880 000	49 %	51 %
NCA Global	5 177 023	300 000	6 %	0 %
Info programme Norway	3 000 000	0	0 %	0 %
<b>Total Norad General</b>	<b>129 836 852</b>	<b>7 445 000</b>	<b>6 %</b>	<b>6 %</b>
FGM Grant (100%)	4 537 037	0	0 %	12 %
Indigenous Peoples Grant (100%)	2 890 000	112 500	4 %	3 %
Peace and Development Northern Mali	5 500 000	0	0 %	
Oil for development	754 630	0	0 %	0 %
<b>Total Norad Other</b>	<b>13 681 667</b>	<b>112 500</b>	<b>1 %</b>	<b>7 %</b>
<b>Total Norad Genera, Other and Addendum No. 2</b>	<b>7 407 407</b>	<b>0</b>	<b>0 %</b>	
<b>Total Norad General and Other</b>	<b>150 925 926</b>	<b>7 557 500</b>	<b>5 %</b>	<b>6 %</b>
Administration 8%	12 074 074	604 600		
<b>Total Norad incl. 8% adm</b>	<b>163 000 000</b>	<b>8 162 100</b>		

As table 6 shows, out of the total contribution from Norad to Norwegian Church Aid in 2009 of NOK 163 million (incl. administration support), NOK 8.16 million is reported with status "Audited Financial Statement pending". This is 5% of the total allocation, an improvement from 6% 2008, and 11% in 2007.

The reduction in audited financial statements pending from partners has mainly been achieved in Southern Africa and South Asia. The increase in Latin America relates to one partner in the Dominican Republic, caused by administrative complications.

The percentage of Norwegian Church Aid's Global partners with Audited Financial Statements pending has decreased over several years, from 93% in Norwegian Church Aid's 2006 report to 49% in 2009. Due to a different financial year, many of the global partners can not share their audited financial statements until the month of June, after the approval by their boards who often meet in June. We have continuing discussions with the global partners about the possibility of submitting their audits at an earlier time for Norwegian Church Aid, yet are aware of the fact that this is not always possible.

Norwegian Church Aid stresses the importance of the delivery from all partners of Audited Financial Statements within deadlines. Those partners who fail to submit reports on time are followed up closely, and it is expected that the reports will arrive shortly. Norwegian Church Aid will therefore ask Norad for permission to report by 15 November 2010 on all outstanding projects to Norad.

#### 4. CONCLUDING REMARKS

We are pleased to report that the trend of reduced pending reports from partners continues. For 2009 only 5% of the total allocation is not reported at 1<sup>st</sup> July. In a longer time span, this is significant compared to 13% in 2005.

To put this into perspective: Of the 374 Norwegian Church Aid-supported projects that received funding from Norad in 2009, the number of projects not reported on at this date is 30. Half of these projects are implemented through global partners, who have a different financial year-end and thus cannot complete their reporting until a slightly later date in the year. All the same, we will continue working to seek even lower numbers of pending reports.

Norwegian Church Aid will, in a separate letter, formally apply Norad's approval of a second round of reporting on 2009 funds, to be submitted by 15 November, to close the financial reporting on pending cases. This is in accordance with procedure agreed upon in meeting between Norad and NCA earlier this year and stated in minutes from a meeting on 19.01.2007.

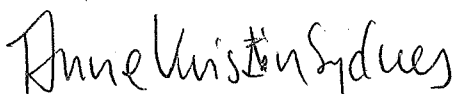
We are also pleased with the amount of unused funds for 2009. Our aim is to use 100% of the allocated amount within each financial year. We are therefore happy to report that the amount of unused funds was reduced also this year. We will however continue to focus on our own internal periodical reports and active use of reallocation between projects and programmes so we can continue to improve and reach our goal.

We have continued with our openness and transparency around findings from our anti-corruption work. This is the second year that we publish our findings in the Annual Report Norwegian Church Aid's work against corruption. Publicising this work is a necessary step in securing organisational learning from real experience.

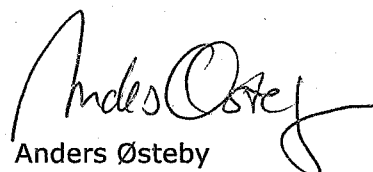
While the report demonstrates our commitment to transparency, it also increases the risk of creating an impression of higher corruption in Norwegian Church Aid than in other similar organisations. This is a risk we chose to take, and we urge Norad to see its position and mandate as an enabling factor in encouraging other organisations to publicise the issues they are working with. This is necessary in order to "educate" the public in general on the realities facing organisations such as Norwegian Church Aid, as well as to secure learning in this area throughout the development sector.

We take this opportunity to thank Norad for valuable support in 2009. We are looking forward to start a more detailed dialogue around the new five year cooperation agreement with Norad. We are looking forward to continued fruitful cooperation in the future.

Yours faithfully



Anne Kristin Sydnes  
Director for International Programmes



Anders Østeby  
Director Finance Department