



Report on cases of financial irregularities in 2020

Foreign Service Control Unit, Ministry of Foreign Affairs

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(<http://www.regjeringen.no/en/dep/ud/id833/>)

In 2020, the Foreign Service Control Unit registered 75 new cases. In the same period, 75 cases were closed. A response was required in 44 of these cases, all of which fell under programme area 03 – international development assistance, the Unit writes in its report.



1. Introduction

The Foreign Service Control Unit deals with cases involving breaches of Foreign Service rules and oversees cases involving breaches of rules in subordinate agencies, unless responsibility for following up a specific type of irregularity has been assigned to a different unit in the Ministry of Foreign Affairs.

2. Zero tolerance

The Ministry practises zero tolerance of financial irregularities and other misuse of Ministry funds. This principle must be observed by all Foreign Service employees, suppliers of goods and services, and organisations and others that manage funds allocated by the Ministry.

The principle of zero tolerance of financial irregularities also applies to the use and management of funds that the Ministry has allocated (through an allocation letter or by other means) to third parties, including its subsidiary agencies Norad and Norec. It also applies to grants given by Norfund.

The responsibility for implementing the zero tolerance principle rests with the unit that has budget responsibility for the funds. All grant recipients must also undertake to show zero tolerance of financial irregularities in connection with funds provided by Norway, and to report any deviations from this principle.

The Foreign Service Control Unit has a particular responsibility to follow up reports on deviations from grant agreements and other matters relating to financial irregularities in the Foreign Service. Norad, Norec and Norfund have an independent responsibility for following up cases within their areas of responsibility.

The general rule is that misused funds must be repaid. The same applies in cases where it cannot be documented that funds have been used in accordance with an agreement. The Ministry will consider reporting cases of this kind to the police if it is likely that a criminal offence has been committed.

Further details are provided in the policy memorandum *Zero tolerance of financial irregularities in practice* and the *Guidelines for dealing with suspected financial irregularities in the Foreign Service* were also updated (see annexes.)

3. Dealing with cases of suspected financial irregularities

Most of the cases dealt with by the Foreign Service Control Unit have to do with possible misuse of grant funds. Suspected financial irregularities are normally reported to the Foreign Service Control Unit by the relevant unit in the Foreign Service or by the organisation that has received the funds. However, some cases may be received through external whistleblowing channels. If the Foreign Service Control Unit finds reason to investigate a matter more closely, it is registered as a case of suspected financial irregularities.

As a rule, further disbursements to the recipient will be suspended until the case has been investigated and adequate risk-reducing measures have been implemented. An agreement partner (organisation/grant recipient) that has reported suspected irregularities involving a local partner will often initiate its own investigation. In such cases, the Foreign Service Control Unit usually waits until the results of the investigation are available before considering its response. If the agreement partner does not decide to carry out its own investigation, the Foreign Service Control Unit will do so in close cooperation with units involved in the Foreign Service and the agreement partner. In some cases, external experts are engaged to investigate a case or perform a forensic audit. The Ministry of Foreign Affairs has framework agreements with five different companies that provide such services. In addition, the Foreign Service Control Unit has a framework agreement with external legal experts to follow up legally complex cases.

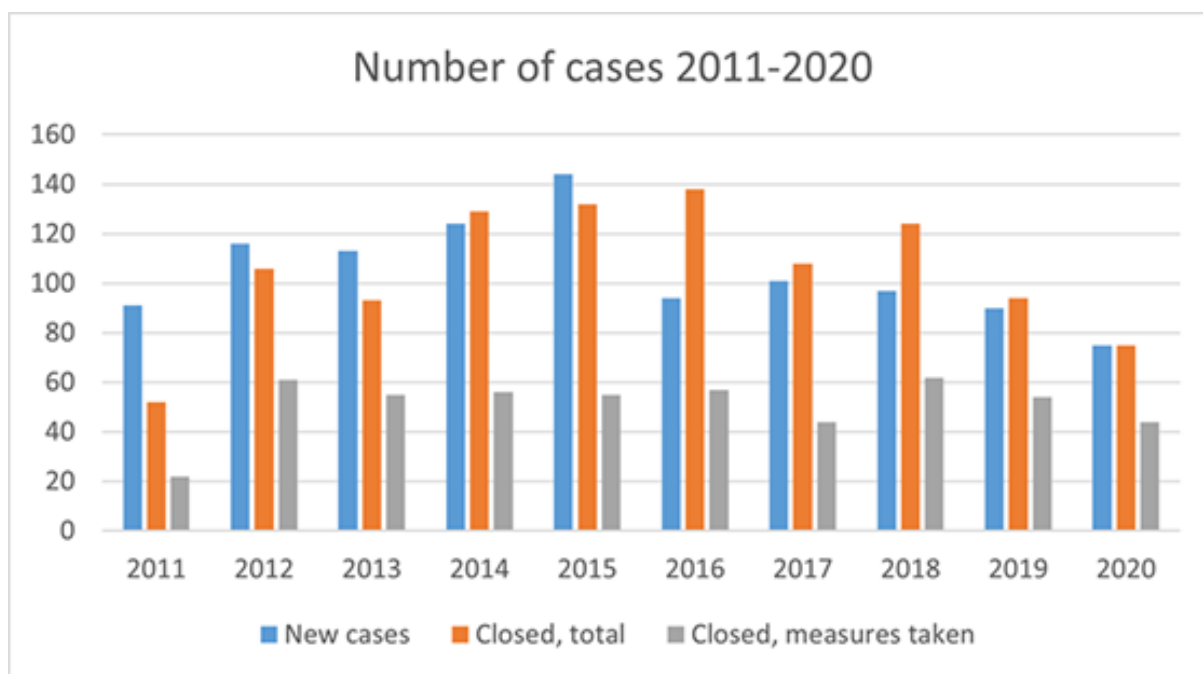
In most cases of financial irregularities, the grant recipient agrees to repay the misused funds. If, however, the Foreign Service Control Unit's claim for repayment is contested, legal proceedings may be initiated to recover the funds.

A case will be closed if the investigation concludes that a response from the Ministry is not required. In cases where the Ministry claims repayment, the case will not be closed until the funds have been repaid.

Information on cases that have required a response from the Ministry before being closed is published on a quarterly basis on the Government website (in Norwegian only).

4. Trends in the number of cases

Since 2007, the Foreign Service Control Unit has registered 1 252 cases of financial irregularities and closed 1 140 cases. A response was required in 523 of the closed cases – most often a claim for the repayment of funds. A total of NOK 135.1 million has been repaid. In addition to funds managed by the Ministry, the figures also include cases involving funds managed by Norad^[1] and Norec.^[2]



Number of cases 2011-2020 Credit: MFA

The number of new cases rose steadily until 2015, but has fallen somewhat since then. This is probably partly because the Foreign Service Control Unit has introduced more stringent criteria for registering a case as a case of suspected financial irregularities: clearer indications that there has been a financial irregularity are now required before a case is registered. In addition, there is naturally some variation in the number of cases from year to year. It is therefore not possible to draw any conclusions regarding other reasons for the decline in the number of new cases.

5. Cases dealt with in 2020

In 2020, the Foreign Service Control Unit registered 75 new cases. In the same period, 75 cases were closed. A response was required in 44 of these cases, all of which fell under programme area 03 – international development assistance. A total of NOK 10.7 million was repaid. Losses as a result of financial irregularities or breaches of a grant agreement may under certain conditions be covered by the grant recipient repaying the amount concerned to the project from their own funds. Of the 44 cases in which a response was required, there were 13 cases of this type in 2020, for a total amount of NOK 1 million.

Cases dealt with in 2020					
	Carry-over from 2019	New	Closed, total	Closed, measures taken	In progress 31 Dec 2020
Ministry	50	47	34	15	63
Norad	51	26	37	29	40
Norec	7	2	4	0	5
	108	75	75	44	108

Cases dealt with in 2020. Credit: MFA

Norad responded in a higher proportion of cases than the Ministry. This is probably largely because Norad and the Ministry have had different practices for registering suspected cases of financial irregularities. The Ministry has tended to register most cases as they are received, whereas Norad conducts some preliminary investigations before registering a case.

5.1 Types of irregularities

Cases involving financial irregularities are often complex and may involve a number of different elements. A rough classification shows that in 2020, 16 of the 44 cases in which a response was required involved embezzlement, while eight involved corruption and seven involved theft. In this context, corruption is defined as offering or accepting bribes in the form of money, gifts or services. The category 'other' includes inadequate reporting, undocumented costs and funds used for purposes other than those covered by the agreement in question. There were 13 cases of this kind in 2020.