Office of Internal Oversight Services

INTERNAL AUDIT DIVISION

REPORT 2018/098

Audit of the International Trade Centre's projects funded by the Netherlands Trust Fund

Projects were well planned and managed but risk management processes could be improved and sustainability of results could be assessed

18 October 2018
Assignment No. AE2018/350/01

Audit of the International Trade Centre's projects funded by the Netherlands Trust Fund

EXECUTIVE SUMMARY

The Office of Internal Oversight Services (OIOS) conducted an audit of the International Trade Centre's (ITC) projects funded by the Netherlands Trust Fund. The objective of the audit was to assess the effectiveness of the management process put in place by ITC to achieve the intended outcomes of phase three of the Netherlands Trust Fund Programme (NTF III Programme). The audit covered the whole term of the NTF III Programme from initial planning in September 2013 to final reporting in July 2017 and included a review of the processes, actions and structures designed to address the project risks.

The NTF III Programme was adequately managed. Extensive involvement by the donor and ITC senior managers, a robust planning process, effective budgeting, reliance on proven techniques such as Theory of Change concepts and Results Chains, the role of the Quality Assurance Adviser and regular comprehensive reporting resulted in the achievement of most of the expected outputs and outcomes of the programme in a timely manner. For future projects, improvements could be made to risk management and ITC could plan to monitor the continued existence of outputs at a later date to test the sustainability of its intervention methodologies.

OIOS made four recommendations. To address issues identified in the audit, ITC needed to:

- Ensure that reports supporting country/sector selection decisions include a risk assessment addressing all significant risks;

- Formalize its adoption of project risk management by issuing appropriate guidance and documentation to define its project risk management methodology and train staff in its use;

- Create a risk register for its regular intervention activities and populate that register based on accumulated experience to identify the risks commonly associated with those activities and provide examples of how those risks have come to pass and how they have been managed; and

- Institute a sustainability review protocol to test the post-project longevity of its project outputs.

ITC accepted the recommendations and has initiated action to implement them.

CONTENTS

Audit of the International Trade Centre's projects funded by the Netherlands Trust Fund

I. BACKGROUND

1. The Office of Internal Oversight Services (OIOS) conducted an audit of the International Trade Centre's (ITC) projects funded by the Netherlands Trust Fund.

2. ITC is a technical cooperation agency jointly funded by the United Nations and the World Trade Organization (WTO) to stimulate exports by small and medium-sized enterprises in developing countries and countries with economies in transition. ITC also receives extra-budgetary funding from donors, some of which is earmarked for specific programmes and projects.

3. The Netherlands Trust Fund (NTF) partnership between ITC and the Netherlands Ministry of Foreign Affairs was initiated in 2005. The partnership was built on a common mission to contribute to trade-led development by strengthening the competitiveness of firms in developing countries and promoting their participation in international trade. NTF I, funded directly by the Netherlands Ministry of Foreign Affairs, was implemented over the period 2005-2008. NTF II was a successor project implemented from 2009 to 2013 in five partner countries: Bangladesh, Kenya, Senegal, South Africa and Uganda. The NTF III Programme, the subject of this audit, was funded by the Netherlands Ministry of Foreign Affairs through the Netherlands Centre for the Promotion of Imports from Developing Countries (CBI) and implemented in the period 2013-2017.

4. The Partnership Agreement for NTF III was signed in July 2013 with an agreed budget of $7.4 million. Through three amendments to the initial agreement, the budget grew to $10.4 million. The final report on the NTF III Programme indicated that ultimately $10.1 million was expended on the Programme which included the approval for expenditure of $65,000 on an independent impact evaluation after the end of the Programme.

5. The NTF III Programme was run by a programme manager employed by ITC and overseen by a Steering Group consisting of senior representatives from the ITC and CBI. The project management team consisted of the Programme Manager (P-5 level), Project Advisor (P-3) and Administrative Assistant (G-5). Project teams were recruited for each of the individual projects. In addition, a Quality Assurance Advisor (QA Advisor) was engaged to assist with: (a) the preparation of a Results-Based Management (RBM) framework for the Programme and for individual projects, (b) the development of quality standards during the design phase of the projects and (c) provision of an annual quality assurance report on each project over the course of the Programme.

6. Six projects were selected and implemented under the NTF III Programme. The subjects of these projects were: inclusive tourism in Myanmar; avocado industry in Kenya; coffee industry in Uganda; and information technology and information technology enabled services (IT & ITES) in Bangladesh, Kenya and Uganda. Three of these sectors – the Kenya avocado industry, Bangladesh IT & ITES and Uganda coffee – had also been assisted through the NTF II projects.

7. The NTF III Programme has sought to benefit targeted industry sectors by: assisting in the creation of sector and enterprise development plans; improving the export capacity of small and medium size enterprises (SMEs); improving the capacity of sector trade and investment support institutions (TISIs) to provide services to export-oriented clients; and expanding business linkages between beneficiary SMEs and potential foreign clients. The expected impact of the projects is to create and maintain jobs in the selected sectors at producer, processor, and exporter levels.

8. Comments provided by ITC are incorporated in italics.

II. AUDIT OBJECTIVE, SCOPE AND METHODOLOGY

9. The objective of the audit was to assess the effectiveness of the management process put in place by ITC to achieve the intended outcomes of the NTF III Programme.

10. This audit was included in the 2018 risk-based work plan of OIOS due to risks associated with failure to effectively plan and manage the NTF funded projects.

11. OIOS conducted this audit from April to July 2018. The audit covered the whole term of the NTF III Programme from initial planning in September 2013 to final reporting in July 2017. The audit reviewed processes, actions and structures designed to address the project risks. Specifically, the audit reviewed achievement of the following performance expectations:

- Development and articulation of a clear understanding of the desired programme outcomes.
- Production of programme and project plans designed to minimize the risk of not achieving desired outcomes and amendment of these plans as required as the programme evolved.
- Effective implementation of the programme and project plans.
- Reporting the results and outcomes of the programme to stakeholders clearly and accurately in a timely manner.

12. The audit also considered aspects of efficiency, financial regularity and compliance with required procedures incidental to the achievement of the objectives of the NTF III Programme.

13. The audit methodology was undertaken using a risk-based approach, identifying areas and activities which represented a higher level of risk to programme objectives, and included (a) interviews with key personnel; (b) review of relevant documentation; (c) quantitative and qualitative analysis of data; and (d) sample testing.

14. The audit was conducted in accordance with the International Standards for the Professional Practice of Internal Auditing.

III. AUDIT RESULTS

A. Programme design and governance

<u>A robust governance structure was put in place</u>

15. The governance structure for NTF III was established under the Partnership Agreement between ITC and CBI and included:

a) The Executive Committee, consisting of the Chief Executives of the two institutions (ITC and CBI) and representatives of the Netherlands Government.

b) The Steering Group, consisting of the ITC Director of Market Development and the CBI Deputy Managing Director and Head, Research & Development. The Chief of the ITC Sector and Enterprise Competitiveness Section and the CBI Special Representative International Relations attended the Steering Group meetings in an advisory capacity.

c) NTF III Programme Management Team.

d) The QA Advisor contracted by ITC. The Steering Group defined the terms of reference for the QA Advisor in 2013.

16. The Executive Committee met when needed at least once a year to review project progress, institutional collaboration and to provide strategic vision. The Steering Group: made decisions on country and sector selection; approved project design; confirmed engagement of stakeholders at design stage; approved the start of project implementation; and conducted regular monitoring. The Steering Group also approved project managers to be hired to manage each project in accordance with the work required. Steering Group members met physically at least twice per year and also used video, telephone or electronic conferencing. The Programme Management Team was responsible for overall coordination and worked under the supervision of the Chief, Sector and Enterprise Competitiveness Section.

17. The Steering Group Minutes indicated that the Steering Group was engaged in and knowledgeable of each of the individual projects. Members undertook missions to each of the countries in the programme and met with many of the key people involved in, or impacted by, the implementation of the projects including government ministers and the principals of the companies and TISIs assisted by the projects. Financial governance was also effective with the Steering Group reviewing budgets and acting as a liaison point between ITC and CBI with regard to funding and budget phasing.

18. Based on the above, OIOS concluded that there was a robust governance structure in place and it operated as intended.

Programme and Project Design process was thorough

19. The Programme design was developed on the back of the NTF II Programme which both the donor and ITC considered successful. The ITC developed a Project Idea for the NTF III Programme which was further developed into a Programme Plan that was endorsed by the ITC Senior Management Committee on 4 March 2014. The NTF III Design Phase Overview provided detailed timing for identification studies to identify specific projects to be conducted under the plan and the timing of feasibility studies for the selected areas. This overview was based upon ITC's existing knowledge of the market sectors in beneficiary countries and pre-empted the likely selection of the specific sectors.

20. Programme and project planning was based around the principles of the NTF III Programme, as set out in the Partnership Agreement between ITC and CBI. The Agreement incorporated lessons learned in the NTF II Programme and was a practical evolution of that Programme. The Principles included agreements that projects will:

- Be customized to respond to beneficiaries most critical needs;
- Be focused on enhancing exporter competitiveness at the sector level including the capacity of individual companies themselves, the quality of supporting industries and services (including finance), and the level of human capital and investment;
- Incorporate the central role of TISIs;
- Build on synergies between CBI and ITC;
- Create visibility for the partnership; and
- Develop sustainable project outcomes and impacts beyond the period of NTF III.

21. The identification and feasibility studies conducted for each project were instrumental in identifying which sectors would be the subject of NTF III projects and whether these projects were feasible. They assisted in identifying which particular areas within the chosen sector would benefit most from a Programme of this type and varied depending on what was required. For example, the Sector Identification Report on Myanmar was comprehensive, examining the prospects of assisting seven different sectors based on a range of indicators before recommending the tourism sector. The feasibility study then examined the factors around various geographic areas before recommending that Kayah State was the most suitable target for assistance. In cases where the project was a continuance of NTF II activity, reliance was placed on the initial feasibility report and decision-makers required project teams to provide supporting arguments for the continuation.

22. All projects were reviewed and approved by the Project Appraisal Committee and comments provided by that Committee were incorporated into Project Plans. It is not possible to conclude with absolute certainty that the project selection process used in the NTF III Programme identified the sector which would generate the most benefit for the resources used, however the process provided reasonable assurance that the sectors selected had significant potential and scope for improvement resulting from the Programme. Additionally, in each case the research done in identifying an appropriate sector to target provided an initial platform for developing the project plan.

<u>Feasibility studies needed to be strengthened by risk assessments</u>

23. Selection of individual country/sectors for assistance by ITC is a risk-return decision. Feasibility studies were conducted for each NTF III Programme project. The studies were wide-ranging and well-researched, setting out how outcomes would be achieved and comparing the merits of selecting each of the sectors under consideration. Reports of the feasibility studies identified threats, weaknesses and challenges but the focus tended to be on the benefits that would accrue from a project. In some cases, the comparative strengths and weaknesses of the different sectors being considered were presented side by side but the studies did not include any risk analysis. There was evidence that ITC had considered a variety of risks in sector selection in the NTF III Programme, however, a formal risk assessment would have provided a more systematic platform for ensuring that all relevant risks were considered and assessed. This would provide decision-makers with greater understanding of the potential likelihood and impact of the identified threats, weaknesses and challenges and put them in a better position to assess the potential success of a project. It would also provide greater accountability and protection for decision-makers as there would be more comprehensive support for a decision to accept a risk, or the extent of mitigation or treatment required. In some cases, the risk associated with a project may preclude its approval, even if the potential benefits were significant. A risk assessment at this stage would also identify and assess risks associated with implementation of the project and form the basis for the project risk management plan.

(1) ITC should require that reports supporting country/sector selection decisions include a risk assessment addressing all significant risks.

ITC accepted recommendation 1 and stated that it agrees that any report supporting country/sector selection for inclusion into projects include a risk assessment. However, a country/sector selection report is not required for all projects. These reports were particular to NTF III. This recommendation will be implemented as part of the revision of the current approach to project risk management framework described under recommendations 2 and 3, and in the case where country/sector selection reports are required. Recommendation 1 remains open pending receipt of evidence that ITC has established requirements for reports supporting country/sector selection decisions to include risk assessments addressing all significant risks.

B. Planning

Programme planning was based on lessons learned from NTF II

24. The Programme Plan was developed as the NTF II Programme was coming to a close and relied heavily on the experience of that Programme. The Partnership Agreement for NTF III was refined from that of NTF II and noted lessons learned including that the programme/project development process and templates for individual projects would be approved by the Steering Group and the role of the QA Adviser should be adapted to include quality assurance, quality control, monitoring and evaluation and advising on the RBM Framework. The Senior Management Committee noted that the use of the Steering Committee and an RBM Framework were best practice for ITC and that the programme log frame would be at the outcomes level with outputs to be specified for country project plans.

25. The Steering Group met several times over the course of the NTF III Programme and approved the plans for each Project as they were developed. At its first meeting in September 2013, the Steering Group reviewed the evaluation of NTF II and noted good practices including more frequent field visits by the Steering Group, hiring local project managers early, establishing an early alarm system and having a single QA Adviser across the Programme. The Steering Group undertook missions to target countries during the planning process and members provided input to the development of plans.

26. Individual project plans were based on desk-based research and missions to the target countries. The four outputs that applied across the Programme were: developing a validated plan for sector and enterprise development; increasing export capacity for SMEs sustainability; improving the capacity of TISIs to support SMEs along the value chain; and facilitating the expansion of business linkages and technical partnerships/ collaborations. Each project plan mapped a series of intermediate outputs that would lead to these four outputs being achieved in a project management instrument called a Results Chain. These Results Chains were then used for reporting project performance in a standardized fashion.

27. Project plans included a log frame, a work plan, a detailed budget, a results framework, a risk management plan, a monitoring plan and a communication plan. These were in a similar format for each project and included similar components. Overall plans were comprehensive and the use of the RBM Framework and the Results Chain provided a sound foundation for monitoring the progress of the plan.

Need to improve the development of risk management plans

28. ITC has chosen to adopt active risk management as a key project management tool. A risk management plan was prepared for each NTF III project setting out and analyzing some project risks and proposing mitigation where appropriate. However, these plans did not include all risks. For example, the Identification Report for the Ugandan Coffee identified various issues which appeared to represent risk (such as weak enforcement of the country’s coffee regulations to ensure that coffee exported meets international standards; and theft, fraud and adulteration along the coffee value chain) but these were not mentioned in the project risk management plans. These risks may or may not have been significant to the success of the projects, but if they are not assessed then that cannot be assumed to be the case. Opportunities and strengths identified in the project design phase which may also present risks, (for example the risk that the project may not make the most of a particular strength of the target sector) were generally not identified as risk either. Further, some items were included in log frames as assumptions when they should have been identified in risk management plans as risks. Risk management plans would be more effective tools if they were more comprehensive.

29. The impact of failure to identify and assess all risks can be demonstrated through examining the risk factors associated with working through TISIs. Working with TISIs proved problematical in a number of the NTF III projects with TISIs needing greater than expected support or not having the capacity to leverage the ITC interventions as expected. The risks associated with TISIs included inexperienced or untrained staff, financial weakness, political interference, the existence of hidden agendas, corruption, lack of influence with their members, lack of commitment, lack of human resources and the impact of competing priorities. A lack of commitment by the TISI was identified in the Kenya Avocado project as "Lack of buy-in and motivation by TISIs like under NTF II", but no other risks inherent in the nature of TISIs in developing countries were mentioned. A risk assessment of TISI weaknesses at the start of the projects would have assisted the projects in allocating resources to overcome the weaknesses. For example, in one case the project ceased to support the two TISIs it was working with. If a full risk assessment had been done, the weaknesses of the TISI's would have been highlighted and further investigation may have identified that they were unlikely to be able to absorb the support provided by the project.

30. Other risks which become apparent from the documents for NTF III projects which were often not assessed in risk management plans included infrastructure risks, market risks, competitor risks, government risks, political risks, climate risks, producer risks, environmental risks and trade risks. There were also a range of internal risks associated with project management which should have been considered in project planning but were not identified in the risk management plans. For example, the risk that a local country manager may have hidden ties or biases that mean they may not always act in the best interests of the project and the risk that a manager of a remote project would misrepresent or exaggerate progress and achievements. By recognizing such risks, a project manager could plan to undertake activities to reduce their likelihood or at least discover any problems quickly.

31. In addition, the reasoning for risk assessments were not detailed in the risk management plans. Each of the plans had a single letter assessment (H, M, L) for the impact and likelihood for each identified risk but there was no supporting explanation or support for the ratings. This is a key accountability issue. In the absence of the planner supplying detailed reasons for the risk ratings, senior management who must approve the project and are therefore responsible for it, in this case the Project Appraisal Committee and the Steering Group, must either make further enquiries or accept the ratings at face value. The Project Appraisal Committee and the Steering Group accepted the risk management plans but it was not clear whether the assessments were discussed. Risk assessments are a key part of project risk management and generally involve a considerable level of subjective judgement. Management approving plans based on risk assessments should be provided with sufficient supporting information to allow them to agree with or dispute those judgements.

32. Further, the risk management plans did not bring likelihood and impact together either graphically or arithmetically. The most common practice in risk analysis is to bring risk likelihood and risk impact or consequence together to calculate a risk score. This is then applied to a matrix which reflects management risk appetite and provides guidance as to how a risk of that level should be treated. A less common approach is to plot the likelihood/impact pairing on a two-dimensional graph with likelihood on the horizontal axis and impact on the vertical axis. Management risk appetite is once again used to determine how a risk that falls in any area of the graph should be treated. Since the ITC risk plans presented likelihood and impact as two separate metrics, users of this information would have had to decide how to weigh the significance of the two assessments. Although it is possible to consider likelihood and impact as separate metrics, it makes it more difficult to apply a consistent application of the organization's risk appetite across different projects.

33. Risk treatment actions detailed in risk management plans appeared to be reasonable although some were lacking in detail and seemed overly optimistic. For example, the risk that an economic slowdown in target markets would reduce the demand for Kenya avocados was to be mitigated by choosing "target

markets carefully based on a market study, which assesses the export potential." Market activity and future growth is difficult to predict even if a market is deemed to have potential. Such a risk is one that may have to be accepted. The risk management plans did not seem to consider the option of accepting a risk, even when that seemed to be the most appropriate action. A well-explained project risk management process would provide an understanding that not all risk responses involved mitigation.

34. Most of the issues identified above in relation to project risks management occurred because although ITC had adopted a risk management approach, it had not provided guidance on how a risk management plan should be developed and what it should include. ITC needs to reinforce its use of project risk management by establishing a corporate procedure for how such risk management plans should be developed and what information they should include and by providing training to staff to use this procedure. There is no single methodology for assessing and managing project risk, but there is a body of knowledge based on ISO3100002018 Risk Management Guidelines which sets out the basic steps required to develop a risk management plan that ITC could draw from.

35. It would also be more efficient for ITC to identify generic risks associated with its main activities so that these risks don't have to be identified each time. One of the most common ways of identifying risks, which also informs the assessment of the risks, is to rely on the corporate knowledge accrued from previous similar projects. In ITC's case it undertakes similar activities from one project to the next. It would be possible to develop a risk library or database that identified the expected risks associated with common ITC activities, such as capacity-building TISIs, creating linkages between producers and markets and developing the export capacity of SMEs in various sectors. ITC could develop such a library of known risks and provide some background to why these risks have arisen previously and what was done to mitigate them. This would reduce the amount of time project teams have to spend identifying and assessing risks and also help ensure that all recurring risks are considered.

(2) ITC should formalize its adoption of project risk management by issuing appropriate guidance and documentation to define its project risk management methodology and train staff in its use.

ITC accepted recommendation 2 and stated that its Executive Director determined Enterprise Risk Management as a priority to strengthen overall governance and accountability in ITC. In 2017, ITC started developing its Risk Management Framework including a risk management policy, risk register, level of risk definitions and guidance, including risk impact type definitions, risk appetite and risk tolerance statements. The organization is in the process of revising its current approach to project risk management and aligning it with the new risk policy and risk management framework. The need for providing appropriate guidance and documentation and for training staff as part of this process is acknowledged. With regard to the specific risk of TISI weaknesses, as singled out by the report, ITC already developed an approach called "CUBED", which is a due diligence service to access institutional project partners. 'CUBED' is designed to assess and set up an effective network of committed, connected, capable, resourced, recognized and reliable partner institutions that work together to implement the project activities. It combines capacity assessment and risk assessment. Recommendation 2 remains open pending receipt of evidence that the approach to project risk management has been revised and staff have been provided with appropriate guidance and training.

(3) ITC should create a risk register for its regular intervention activities and populate that register based on accumulated experience to identify the risks commonly associated with those activities and provide examples of how those risks have come to pass and how they have been managed.

ITC accepted recommendation 3 and stated that the implementation of the recommendation is in progress, and draws on ITC's project completion reports, audits and Annual Evaluation Synthesis reports. For all future projects, approved risk management plans will be systematically screened and the information identified added to the risk library. That way the risk library will be gradually built up. Recommendation 3 remains open pending receipt of evidence that a risk library for risks commonly associated with regular intervention activities has been established.

C. Programme implementation

Programme and project implementation were well controlled

36. The Programme Manager had project management responsibility for some projects but overall responsibility for all projects. He visited projects and had a good knowledge of the operations of all of the projects. He was involved in the approval of all plans and collated the individual progress reports into a single Programme document.

37. The activities of both the Steering Group and the QA Advisor meant that stakeholders always had a reliable picture of how each of the projects were being implemented and the progress made towards their identified outputs. Steering Group members undertook Missions to the various projects and met with the people involved in the implementation. Mission reports indicate Steering Group members developed a detailed understanding of project activities and Steering Group Minutes show that the members were able to identify inconsistencies and anomalies in reporting and provide detailed guidance on future activities at a project level.

38. The QA Advisor undertook missions to each of the projects and provided a critique of progress reporting. The QA Advisor also played a role in assisting with the development of the RBM Framework for the projects.

39. From an effectiveness point of view, the approach adopted was very good as there were three levels of management providing direction and guidance and what really amounted to fine-tuning as the projects progressed. This approach served to reassure the donor that the Programme was being implemented as expected because of the involvement of donor representatives on the Steering Group and the fact that the QA Advisor provided an independent voice to supplement the work of the Programme Manager.

Risks were identified and monitored

40. Although risk management plans did not include all risks, a risk management process was applied against those risks that were identified. Risk assessment and mitigation evolved over the course of the various projects. Steering Group Minutes and the QA Advisor reports indicate that identified risks continued to be monitored and mitigation reviewed, and new risks were added and assessed as the project teams became aware of them.

D. Monitoring and reporting

Programme reporting was frequent and adequately reviewed

41. The Steering Group initiated a programme reporting process whereby a complete report on the Programme progress was prepared once a year with a summary report every six months.

42. Reporting on progress made in implementing project activities was, in the first instance, to the Programme Manager who then drafted a single progress report for the whole Programme. The QA Advisor was provided the opportunity to comment on this report and his comments were provided to the Steering Group with the Programme Report. The QA Advisor was able to review these reports in the light of his own visits to projects, which added weight to his comments.

43. As both the Steering Group and the QA Advisor had direct knowledge of project activities and had interacted with the local participants in the projects, they were able to provide a reality check on the reporting that was provided. There were frequent comments noted in minutes and other documents where the Steering Group, the QA Advisor or the Programme Manager asked for a report to be amended to better align with the information they were already aware of.

44. The monitoring and reporting during the course of the NTF III Programme was timely, accurate and comprehensive. Minutes of meetings showed that the reports were taken seriously and resulted in suggestions and directions from senior decision makers to resolve issues or achieve better results.

Monitoring sustainability

45. The nature of the funding for projects undertaken in NTF III is that funding stops at the time of project closure. This means that even though projects are meant to provide sustainable benefits, the finalization of the funding means there is no explicit action to determine if the outputs created are sustained in the longer term. ITC does have an evaluation programme but this tends to be at an ITC programme level and has a greater focus on outcomes and impacts. It is in ITC’s interest to understand how well its interventions have worked over time, so that it can enhance its work in future similar projects. It is also in the donor’s interest to know whether their funding provided a longer-term result. A post project review, three to five years after the end of the project, to see, for example, if the TISIs which were assisted are still

working to assist the export market, or whether certifications obtained were maintained by producers, would benefit the donor and ITC and would provide important information about the long-term effectiveness of ITC capacity building methodologies. A post-project review may also identify situations where it may be good value for money to conduct a further intervention to consolidate gains made in the initial project.

(4) ITC should institute a sustainability review protocol to test the post-project longevity of its project outputs.

ITC accepted recommendation 4 and stated that it agrees that it would be important to understand how well its interventions have worked over time, so that it can enhance its work in future similar projects. For this, however, donors would need to agree to allow a certain amount of the project funding to remain in ITC to assess projects' performance a few years later. So far, budget rules of funders have prevented them from such agreements. As mentioned in the report, ITC's Independent Evaluation Unit (IEU) undertakes ex-post evaluations funded from regular budget. Since regular budget funding for evaluations purposes is very limited and cannot ensure that all larger projects are evaluated a couple of years after the respective project ended, the IEU undertakes mainly programme evaluations. These usually add more value for learning than project level evaluations, because lessons can be better applied to future projects with the same programmatic approach. However, occasionally the organization has also carried out ex-post project evaluations, e.g. for NTF 2 projects. This will continue, where particular learning opportunities are identified. Recommendation 4 remains open pending receipt of evidence that a sustainability review protocol to test the post-project longevity of relevant project outputs where financially feasible has been established.

IV. ACKNOWLEDGEMENT

46. OIOS wishes to express its appreciation to the management and staff of ITC for the assistance and cooperation extended to the auditors during this assignment.

(*Signed*) Eleanor T. Burns
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Office of Internal Oversight Services

ANNEX I

STATUS OF AUDIT RECOMMENDATIONS

Audit of the International Trade Centre's projects funded by the Netherlands Trust Fund

Rec. no.	Recommendation	Critical[1]/ Important[2]	C/ O[3]	Actions needed to close recommendation	Implementation date[4]
1	ITC should require that reports supporting country/sector selection decisions include a risk assessment addressing all significant risks.	Important	O	Receipt of evidence that ITC has established requirements for reports supporting country/sector selection decisions to include risk assessments addressing all significant risks.	31 October 2019
2	ITC should formalize its adoption of project risk management by issuing appropriate guidance and documentation to define its project risk management methodology and train staff in its use.	Important	O	Receipt of evidence that the approach to project risk management has been revised and staff have been provided with appropriate guidance and training.	31 December 2019
3	ITC should create a risk register for its regular intervention activities and populate that register based on accumulated experience to identify the risks commonly associated with those activities and provide examples of how those risks have come to pass and how they have been managed.	Important	O	Receipt of evidence that a risk library for risks commonly associated with regular intervention activities has been established.	31 October 2019
4	ITC should institute a sustainability review protocol to test the post-project longevity of its project outputs.	Important	O	Receipt of evidence that a sustainability review protocol to test the post-project longevity of relevant project outputs where financially feasible has been established.	31 December 2019

[1] Critical recommendations address critical and/or pervasive deficiencies in governance, risk management or control processes, such that reasonable assurance cannot be provided with regard to the achievement of control and/or business objectives under review.
[2] Important recommendations address important (but not critical or pervasive) deficiencies in governance, risk management or control processes, such that reasonable assurance may be at risk regarding the achievement of control and/or business objectives under review.
[3] C = closed, O = open
[4] Date provided by ITC in response to recommendations.

APPENDIX I

Management Response

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Management Response

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Rec. no.	Recommendation	Critical[1]/ Important[2]	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
1	ITC should require that reports supporting country/sector selection decisions include a risk assessment addressing all significant risks.	Important	Yes	Directors of DCP, DEI and DMD in cooperation with the respective project managers and funder focal points	31 October 2019	ITC agrees that any report supporting country/sector selection for inclusion into projects include a risk assessment. However, not for all projects a country/sector selection report is required. These reports were particular to NTF III. This recommendation will be implemented following the establishment of the mechanisms described under recommendations 2 and 3, and in the case where country/sector selection reports are required.
2	ITC should formalize its adoption of project risk management by issuing appropriate guidance and documentation to define its project risk management methodology and train staff in its use.	Important	Yes	Chief, Strategic Planning, Performance and Governance. OED/SPPG	31 December 2019	ITC's Executive Director determined Enterprise Risk Management as a priority to strengthen the overall governance and accountability in ITC. In 2017, ITC started developing its Risk Management Framework including risk management policy, risk register, level of risk definitions and guidance, including risk impact type definitions, risk appetite and risk tolerance statements. The organization is in the process of revising its current approach to project risk management and aligning it with the new risk policy and risk management framework. The need for providing appropriate guidance and documentation

[1] Critical recommendations address critical and/or pervasive deficiencies in governance, risk management or control processes, such that reasonable assurance cannot be provided with regard to the achievement of control and/or business objectives under review.
[2] Important recommendations address important (but not critical or pervasive) deficiencies in governance, risk management or control processes, such that reasonable assurance may be at risk regarding the achievement of control and/or business objectives under review.

Management Response

Audit of the International Trade Centre's projects funded by the Netherlands Trust Fund

Rec. no.	Recommendation	Critical[1]/ Important[2]	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
						and for training staff as part of this process is acknowledged. With regard to the specific risk of TISI weaknesses, as singled out by the report, ITC already developed an approach called "CUBED", which is a due diligence service to assess institutional project partners. "CUBED" is designed to assess and set up an effective network of committed, connected, capable, resourced, recognized and reliable partner institutions that work together to implement the project activities. It combines capacity assessment and risk assessment.
3	ITC should create a risk register for its regular intervention activities and populate that register based on accumulated experience to identify the risks commonly associated with those activities and provide examples of how those risks have come to pass and how they have been managed.	Important	Yes	Chief, Strategic Planning, Performance and Governance. OED/SPPG	31 October 2019	The implementation of this recommendation is in progress, and draws a.o. on ITC's project completion reports, audits and Annual Evaluation Synthesis reports. For all future projects, approved risk management plans will be systematically screened and the information identified added to the risk library. That way the risk library will be gradually built up.
4	ITC should institute a sustainability review protocol to test the post-project longevity of its project outputs.	Important	Yes	Directors of DCP, DEI and DMD in cooperation with the respective project managers and	31 December 2019	ITC agrees that it would be important to understand how well its interventions have worked over time, so that it can enhance its work in future similar projects. For this, however, donors would need to agree to allow a certain amount of the project funding to remain in ITC to assess projects' performances a few years later.

Management Response

Audit of the International Trade Centre's projects funded by the Netherlands Trust Fund

Rec. no.	Recommendation	Critical[1]/ Important[2]	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
				funder focal points		So far, budget rules of funders has prevented them from such agreements. As mentioned in the report, ITC's Independent Evaluation Unit (IEU) undertakes ex-post evaluations – funded from regular budget. Since regular budget funding for evaluation purposes is very limited and cannot ensure that all larger projects are evaluated a couple of years after the respective project ended, the IEU undertakes mainly programme evaluations. These usually add more value for learning than project level evaluations, because lessons can be better applied to future projects with the same programmatic approach. However, occasionally the organization has also carried out ex-post project evaluations, e.g. for NTF2 projects. This will continue, where particular learning opportunities are identified.