



INTERNAL AUDIT DIVISION

REPORT 2015/009

Audit of a donor-funded project
implemented by the International
Trade Centre in Côte d'Ivoire

Overall results relating to the effective
management of the donor-funded project
were initially assessed as partially
satisfactory. Implementation of one
important recommendation remains in
progress.

FINAL OVERALL RATING: PARTIALLY
SATISFACTORY

3 February 2015
Assignment No. AE2014/350/01

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AUDIT REPORT

Audit of a donor-funded project implemented by the International Trade Centre in Côte d'Ivoire

I. BACKGROUND

1. The Office of Internal Oversight Services (OIOS) conducted an audit of a donor-funded project implemented by the International Trade Centre (ITC) in Côte d'Ivoire.

2. In accordance with its mandate, OIOS provides assurance and advice on the adequacy and effectiveness of the United Nations internal control system, the primary objectives of which are to ensure (a) efficient and effective operations; (b) accurate financial and operational reporting; (c) safeguarding of assets; and (d) compliance with mandates, regulations and rules.

3. ITC is the joint technical cooperation agency of the United Nations and the World Trade Organization (WTO) for business aspects of trade development. It operates under the joint auspices of the WTO and the United Nations Conference on Trade and Development (UNCTAD). The WTO General Council and the UNCTAD Trade and Development Board annually review the programme of work of ITC, including recommendations of the Joint UNCTAD/WTO Advisory Group (the main intergovernmental policy forum of ITC). ITC serves three client groups: policymakers; trade support institutions; and the private sector. The ITC Strategic Plan for 2012-15 outlined four strategic areas of focus:

- (a) Improving the availability and use of trade intelligence;
- (b) Enhancing trade support institutions and policies for the benefit of exporting enterprises;
- (c) Strengthening the export capacity of enterprises to respond to market opportunities; and
- (d) Mainstreaming inclusiveness and sustainability into trade promotion and export development policies.

4. In March 2010, the donor represented by its delegation in Côte d'Ivoire and ITC signed a multiyear partnership agreement called "Programme d'appui au commerce et à l'intégration régionale de la Côte d'Ivoire" (PACIR) for a period of forty-seven months with an overall budget of \$21.6 million of which \$9.4 million was to be implemented by ITC by end of February 2014. The project was subsequently extended to December 2014.

5. The objective of the project was to strengthen the Ivorian economy with a view to regional and global integration under the Economic Partnership Agreement, a scheme to create a free trade area between the donor and African states. The project has four planned outcomes: (1) improvement of the business environment; (2) strengthening of the competitiveness of Ivorian small and medium enterprises; (3) trade facilitation; and (4) improvement of the economic infrastructure. ITC was to lead the implementation of the outcome related to the improvement of the business environment and work in partnership with another United Nations agency to implement the outcome related to the strengthening of the competitiveness of Ivorian small and medium enterprises.

6. The project officially started in April 2010 with the establishment of a local ITC presence in the form of a local coordinator and a national consultant in Côte d'Ivoire. Following the post elections crisis in the country in November 2010, the project was halted in March 2011 for six months and could resume only in September 2011. The recruitment for the local ITC coordination team was completed in March 2012 with the addition of an administrative assistant and a driver. The team therefore consisted of four

staff. As of 30 April 2014, the total expenditure on the project amounted to \$6.9 million against the budget of \$9.4 million.

7. Comments provided by ITC are incorporated in *italics*.

II. OBJECTIVE AND SCOPE

8. The audit was conducted to assess the adequacy and effectiveness of ITC governance, risk management and control processes in providing reasonable assurance regarding the **effective management of the donor-funded project implemented by ITC in Côte d'Ivoire**.

9. The audit was included in the 2014 internal audit work plan at the request of ITC because the project was the largest donor-funded project undertaken by ITC in a single country. Failure to implement it effectively entailed significant reputational risk to the Organization. Also, ineffective implementation increased the risk that donors would be reluctant to provide funding for similar large projects in the future.

10. The key controls tested for the audit was project management. For the purpose of this audit, OIOS defined this key control as the control that provides reasonable assurance that ITC has appropriate mechanisms in place to ensure that the project is implemented effectively, in accordance with ITC guidelines for project design and the contribution agreement with the donor.

11. The key control was assessed for the control objectives shown in Table 1.

12. OIOS conducted this audit from June to September 2014. The audit covered the period from April 2010 to March 2014. Fieldwork was conducted in Geneva and in Côte d'Ivoire.

13. OIOS conducted an activity-level risk assessment to identify and assess specific risk exposures, and to confirm the relevance of the selected key controls in mitigating associated risks. Through interviews, analytical reviews and tests of controls, OIOS assessed the existence and adequacy of internal controls and conducted necessary tests to determine their effectiveness.

III. AUDIT RESULTS

14. ITC governance, risk management and control processes examined were assessed as **partially satisfactory**¹ in providing reasonable assurance regarding the **effective management of the donor-funded project implemented by ITC in Côte d'Ivoire**. OIOS made one recommendation to address issues identified in the audit. Processes relating to project feasibility and formulation were adequate. The project was appropriately budgeted and the utilization of funds was monitored satisfactorily. ITC amended its hiring procedure to ensure that the competitive selection of consultants was properly documented. Memoranda of Understanding were signed in a timely manner and adequately monitored. Arrangements for coordination of project activities were satisfactory. Controls over the reporting of project progress and expenditures were also satisfactory.

¹ A rating of “**partially satisfactory**” means that important (but not critical or pervasive) deficiencies exist 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.

15. However, project management was assessed as partially satisfactory because ITC needed to ensure that appropriate arrangements are in place to conduct an evaluation of the project in accordance with ITC policy on evaluation.

16. The initial overall rating was based on the assessment of key control presented in Table 1 below. The final overall rating is **partially satisfactory** as implementation of one important recommendation remains in progress.

Table 1: Assessment of key control

Business objective	Key control	Control objectives			
		Efficient and effective operations	Accurate financial and operational reporting	Safeguarding of assets	Compliance with mandates, regulations and rules
Effective management of the donor-funded project implemented by ITC in Côte d'Ivoire	Project management	Satisfactory	Satisfactory	Satisfactory	Partially satisfactory
FINAL OVERALL RATING: PARTIALLY SATISFACTORY					

Project management

Project feasibility and formulation processes were adequate

17. According to the ITC guidelines for project design, quality assurance encompasses any activity that is concerned with assessing and improving the merit or the worth of a development intervention, or its compliance with given standards. ITC established the Project Quality Assurance Group (PQAG) for peer review and quality control at the project planning and development stages to ensure that project ideas and project documents are aligned with the Organization-wide requirements and standards.

18. ITC entered into an agreement with the donor to implement two components of a trade-related programme in Côte d'Ivoire. At the Senior Management Committee (SMC) meeting of 3 March 2009, the project was approved by the SMC. Thereafter, a project manager from the ITC Office for Africa conducted a field visit and performed a needs assessment. After meeting with the local authorities, beneficiaries, and identifying potential partners and the resources needed to complete the project, a preliminary logical framework was developed.

19. At the 3 June 2009 meeting, the SMC discussed a note on the approval process and strategy for the project. In addition, the contribution agreement had been circulated to the internal ITC quality assurance group. The contribution agreement was signed by the ITC Director of Programme Support. OIOS concluded that ITC had adequate processes in place with regard to project feasibility and formulation.

Project budgeting was appropriate and utilization of funds was satisfactorily monitored

20. According to the ITC guidelines for project design, one of the roles of the PQAG was to confirm that the project plan was proportionate to the project's outputs and outcomes. The guidelines also included a budget template to guide project managers.

21. The project budgeting methodology used by ITC included preparation of detailed output/activity level budgeting at the planning stage. The agreed inputs and outputs detailed in the contribution agreement guided the actual implementation. Technical Component managers agreed with the PACIR project team on the amounts to be spent per component. The project team had centralized control over the project budget and allocation to ensure coherence in terms of substantive inputs and budget requirements. Technical Component managers incurred expenditures for their respective budget component based on the contribution agreement and the agreed implementation plan, which were certified by the project manager and the Chief of Office for Africa.

22. The ITC financial advisor monitored the budget and costs on an ongoing basis and acted as the focal point for extracting PACIR monthly expenditure and reporting to the project manager. He worked with the project manager to ensure timely updating of the project's portal to include monthly monitoring remarks, basic project information, yearly outputs, quarterly monitoring reports, and other relevant information. OIOS therefore concluded that the project was appropriately budgeted and the utilization of funds was satisfactorily monitored.

Corrective action was taken to document the competitive selection of consultants

23. The ITC guidelines for recruitment and administration of consultants and individual contractors provided guidance including detailed procedures for the recruitment of consultants. The guidelines provided hiring managers with appropriate authority to make administrative decisions in an effort to strengthen accountability and transparency at all levels. OIOS selected for review six national consultants and thirteen international consultants to determine compliance with the ITC guidelines. While the duration of these consultants' contracts were within the maximum duration stipulated in the ITC guidelines, there was no documentation on file in six instances to show that a competitive selection process had been followed. OIOS noted, however, that performance evaluations had been conducted for all consultants reviewed, and that they had delivered the outputs as per the terms of reference of their contracts.

24. Before the completion of the audit, ITC took steps to ensure that hiring managers indicated the names of all candidates who were considered, and that their competitive assessment was documented. In view of the action taken by ITC, no recommendation was made.

Memoranda of Understanding were signed in a timely manner and adequately monitored

25. The ITC guidelines for MOUs stated that MOUs should be signed only if they relate to activities that are expected to materialize, or to confirm agreements reached in the course of discussions. They emphasized that MOUs should not be signed retroactively, and that activities should only commence once ITC had received the original MOU duly signed by the counterpart. No project related activities should take place once the MOU expired. MOUs must be amended prior to their expiration, if an amendment is required.

26. OIOS reviewed seven MOUs that ITC had signed with counterparties. All the MOUs were signed in accordance with the ITC guidelines. Technical Component managers contacted their counterparties constantly to monitor the implementation of activities stipulated in the MOUs, which

mainly related to conduct of studies or preparation of reports. The MOUs also included provisions to ensure that activities and products were completed and approved by the technical divisions of ITC before additional funding was provided.

27. OIOS review also indicated that activities were generally completed in a timely manner. The Finance Unit of ITC reviewed financial reports along with the supporting documentation. All MOUs where activities had been completed were properly closed after reviewing the financial documentation provided by the grantee. OIOS therefore concluded that there were adequate procedures to ensure that MOUs were signed in a timely manner and monitored satisfactorily.

Coordination of activities was adequate

28. According to the ITC guidelines for project design, the purpose of the project plan is to ensure that all parties agree on intended deliverables and a modus operandi, with an emphasis on feasibility, efficiency and sustainability of the project. The roles and responsibilities of each party were elaborated in the guidelines and special emphasis was placed on defining a workable governance scheme, assessing risks and identifying suitable risk mitigation methods.

29. There were regular coordination meetings initiated and led by the project manager to ensure coherence and synergies across different activities. Bilateral meetings with Technical Component managers took place regularly to assess and mitigate risks. When key decisions or actions were taken, they were duly recorded in follow-up email messages and, if necessary, reiterated in coordination meetings and drawn to the attention of the ITC Section Chiefs, Directors, implementing partners and the donor. To further facilitate coordination in the field, ITC maintained a local presence including a national project coordinator and national technical advisor. In addition, the project manager maintained regular contact with the local ITC office in Côte d'Ivoire. OIOS therefore concluded that the arrangements for coordination of the project activities in Côte d'Ivoire were satisfactory.

There was a need for an independent and objective evaluation of the project

30. ITC guidelines for project design require that evaluations be performed for all projects, and that arrangements and responsibilities for evaluation be specified during the project design process. The minimum requirement at ITC for all projects is a self-evaluation at the end of the project. The evaluation policy encouraged project managers to undertake self-evaluation of projects under their responsibility. However, neither the ITC guidelines for project design nor the evaluation policy provided specific criteria as to when an independent evaluation is required.

31. The ITC Evaluation and Monitoring Unit (EMU) was involved in the early project development stages when project baselines and evaluation requirements were identified. EMU was responsible for ensuring that large projects integrated the lessons learned from other evaluation exercises in the project design phase and provided guidance and oversight for the establishment of project "evaluability".

32. Resources for evaluation of the project were initially included in the contribution agreement. However, after discussions with the donor, these resources were subsequently excluded. The rationale was that PACIR being a multi-agency programme, instead of each agency undertaking its own evaluation, it was strongly recommended to have an overall evaluation to make optimal use of resources. The only evaluation performed for PACIR was the donor-led results-oriented monitoring visits in 2012 and 2013, which did not conform to the ITC evaluation policy. The final evaluation of PACIR is to be undertaken at the end of the programme.

(1) ITC should ensure that appropriate arrangements are in place to conduct an evaluation of the project in accordance with its policy.

ITC accepted recommendation 1 and stated that as the dynamism of trade related technical assistance is evolving and in line with the Paris Declaration on Aid Effectiveness and the Accra Agenda for Action, more and more development assistance programmes will be integrated in order to deliver tangible impacts. PACIR is one such programme. ITC management is of the view that the overall evaluation of PACIR to be undertaken soon by the donor will be more beneficial to all stakeholders (including ITC) rather than a stand alone ITC evaluation. Basically, an integrated evaluation will be more sensible for an integrated programme as opposed to a stand alone exercise which will cast an oblique view of the organization's performance. Recommendation 1 remains open pending receipt of documentation showing that arrangements for the integrated evaluation of the project have been put in place.

Controls over the reporting of project progress and expenditures were satisfactory

33. The contribution agreement between ITC and the donor detailed the monitoring responsibilities associated with the project. ITC was required to provide monthly reports with the implementation rate of activities and annual financial reports when it requested the next tranche of funding. The ITC national coordinator prepared a monthly report for the project manager detailing the progress of activities. ITC also had an internal reporting calendar with specific requirements and deadlines. The project and Technical Component managers were required to upload major project-related documentation monthly, and monitoring reports at quarterly intervals, on the project's portal. The project manager was also required to perform quarterly review of obligations and MOUs. The internal reporting on the project was performed in a timely manner.

34. The ITC national coordinator also prepared a monthly report detailing the progress of activities for the donor. The report detailed the progress of each activity in the logical framework. Each activity was assigned a percentage of completion. In addition, the table contained a comments section where risks related to the implementation of the activity were explained. Financial reporting of project expenditures was an essential requirement for ITC before the donor could release the next tranche of funding. Based on a review of the documentation provided by ITC, OIOS concluded that controls to ensure prompt reporting of project progress and financial expenditures were satisfactory.

IV. ACKNOWLEDGEMENT

35. 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) David Kanja
Assistant Secretary-General for Internal Oversight Services

STATUS OF AUDIT RECOMMENDATIONS

Audit of a donor-funded project implemented by the
International Trade Centre in Côte d'Ivoire

Recom. no.	Recommendation	Critical ² / Important ³	C/ O ⁴	Actions needed to close recommendation	Implementation date ⁵
1	ITC should ensure that appropriate arrangements are in place to conduct an evaluation of the project in accordance with its policy.	Important	O	Documentation showing that arrangements for the integrated evaluation of the project have been put in place.	Not provided

² Critical recommendations address significant and/or pervasive deficiencies or weaknesses in governance, risk management or internal control processes, such that reasonable assurance cannot be provided regarding the achievement of control and/or business objectives under review.

³ Important recommendations address important deficiencies or weaknesses in governance, risk management or internal control processes, such that reasonable assurance may be at risk regarding the achievement of control and/or business objectives under review.

⁴ C = closed, O = open

⁵ Date provided by ITC in response to recommendations.

APPENDIX I

Management Response



MEMORANDUM

TO-A: Mr. Gurpur Kumar
Deputy Director
Internal Audit Division, OIOS REF: IAD: 15-00014

THROUGH-VIA: GENEVA-GENÈVE:

FROM-DE: David Curry
Director, Division of Programme Support
International Trade Centre (ITC) DATE: 28 January 2015

SUBJECT-OBJET: **Assignment No. AE2014/350/01 – Audit of a donor-funded project implemented by the International Trade Centre in Côte d'Ivoire**

1. On behalf of Ms. Arancha González, the ITC's Executive Director, I wish to acknowledge receipt of your memorandum of 12 January 2015 attaching the draft report of the above-mentioned audit.
2. In respect of the recommendation of this audit related to the evaluation of PACIR/ITC, the idea of having a self-evaluation of PACIR/ITC has been put on hold as the overall evaluation of PACIR will be undertaken by the European Union¹.
3. For your information, following the visit of ITC's Executive Director to Cote d'Ivoire in November 2014, as the last activity undertaken under PACIR/ITC, a delegation composed of 7 persons representing the four (4) main Ivorian implementing partners (2 public institutions: the Ministry of Trade, and the Ministry of African Integration; and 2 main private institutions: the *Association pour la Promotion des Exportations de la Cote d'Ivoire (APEX-CI)*, and the *Confédération Générale des Entreprises de la Cote d'Ivoire*) were invited to ITC from 17 to 18 December 2014. The objectives of their mission were among others:

/...

cc: Ms. Arancha González, Executive Director, ITC
Ms. Dorothy Tembo, Deputy Executive Director, ITC
Mr. Ashish Shah, Director, Division of Country Programmes, ITC
Mr. Ruben Phoolchund, Chief, Office for Africa, Division of Country Programmes, ITC
Mr. Kok Cheng Tan, Chief, Financial Management, ITC
Mr. Rob Whitehead, Chief, Strategic Planning, Performance and Governance, ITC
Ms. Cynthia Avena-Castillo, Professional Practices Section, Internal Audit Division, OIOS

¹ ITC is only one of the implementing agencies of PACIR as described in paragraph 5 of your "Draft Audit Report for Comments" document.



- To review PACIR/ITC's accomplishments in light of the forthcoming overall PACIR's evaluation and take stock of lessons learnt;
 - To discuss the sustainability issues and the way forward.
4. Since the overall evaluation of this integrated/multi-implementing agencies programme will be undertaken by the European Union and will benefit all stakeholders (Ivoirian institutions as well as implementing agencies), ITC management is of the view that having an evaluation of ITC's intervention under PACIR as a stand alone exercise in isolation will provide an oblique picture of the organisation's performance.
 5. In view of the foregoing, I am pleased to transmit ITC's comments on the recommendation of this audit as reflected in Appendix I attached.
 6. Finally, as pointed out in our memorandum of 10 December 2014, we are still surprised to notice the rating "Partially Satisfactory" when it comes to **Efficient and effective operations** of the programme. Our understanding is still that the issue of evaluation of this specific multi-implementing agencies programme is related to **Compliance with mandates, regulations and rules rather than Efficient and effective operations**.

Management Response

Audit of a donor-funded project implemented by the International Trade Centre in Côte d'Ivoire

Rec. no.	Recommendation	Critical ¹ / Important ²	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
1	ITC should ensure that appropriate arrangements are in place to conduct an evaluation of the project in accordance with its policy.	Important	Yes	Chief, Office for Africa with support of the Strategic Planning, Performance and Governance section in conjunction with the European Union	TBC	As the dynamism of trade related technical assistance is evolving and in line with the Paris Declaration on Aid Effectiveness and the Accra Agenda for Action, more and more development assistance programmes will be integrated (elaborated and implemented by multiple agencies) in order to deliver tangible impacts. PACIR is one such programme. ITC management is of the view that the overall evaluation of PACIR to be undertaken soon by the European Union will be more beneficial to all stakeholders (including ITC) rather than a stand alone ITC evaluation. Basically, an integrated evaluation will be more sensible for an integrated programme as opposed to a stand alone exercise which will cast an oblique view of the organization's performance.

¹ Critical recommendations address significant and/or pervasive deficiencies or weaknesses in governance, risk management or internal control processes, such that reasonable assurance cannot be provided regarding the achievement of control and/or business objectives under review.

² Important recommendations address important deficiencies or weaknesses in governance, risk management or internal control processes, such that reasonable assurance may be at risk regarding the achievement of control and/or business objectives under review.