



INTERNAL AUDIT DIVISION

REPORT 2023/051

Audit of implementing partners at the International Trade Centre

**There is need to strengthen the policy
framework and enhance monitoring and
oversight of implementing partners**

19 October 2023

Assignment No. AE2022-350-02

Audit of implementing partners at the International Trade Centre

EXECUTIVE SUMMARY

The Office of Internal Oversight Services (OIOS) conducted an audit of implementing partners at the International Trade Centre (ITC). The objective of the audit was to assess the adequacy and effectiveness of governance, risk management and control processes in the selection and management of implementing partners at ITC. The audit covered the period from January 2020 to June 2022 and included a review of risk areas relating to implementing partners which included: (a) the policy framework and organizational arrangements; (b) identification and selection; (c) implementation, monitoring and reporting; and (d) financial management and closure.

ITC had developed two policy documents and a series of information circulars, guidelines, memos, checklists and templates to guide the management of implementing partners. The audit showed that there was need to strengthen the policy framework and enhance monitoring and oversight of implementing partners.

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

- Update, consolidate and streamline the various policies, guidelines and delegation of authority documents on implementing partners to avoid duplication and to improve the overall clarity and coherence of the policy framework;
- Improve the guidelines and oversight mechanisms for differentiating between procurement and implementing partner modalities based on experience and best practices;
- Adopt appropriate features in the new Umoja Implementing Partners module based on its needs; and design reports to generate necessary data for effective management of implementing partners;
- Introduce policies and guidelines to: (a) improve the competitiveness of the selection process for implementing partners; and (b) address accountability requirements for dealing with ex post facto approval of selection decisions;
- Improve guidance and oversight for conducting risk and capacity assessments;
- Ensure: (a) appropriate key performance indicators and targets are established in the reporting framework for implementing partners; and (b) narrative reports include clear identification and explanation of variances between planned and actual outputs and their impact on the budget and utilization of funds;
- Improve guidance and oversight over the budget process to ensure: (a) budgets are consistently prepared on a results-based basis; (b) the basis for computing the budget allocations and how they will be verified are consistently documented in the budget documents; and (c) the proportion of overhead costs to total costs is reviewed for reasonableness;
- Strengthen financial monitoring including: (a) ensure implementing partners consistently summarize and reference the supporting documents submitted; (b) adopt suitable risk-based mechanisms for reviewing financial reports and monitoring the funds disbursed to implementing partners; and (c) for large grants define upfront the internal financial monitoring framework;
- Establish requirements for project managers to maintain documentary evidence of follow up actions taken to clear long outstanding advances to implementing partners; and
- Establish: (a) mechanisms to ensure that implementing partner grants are not designated as closed before they have submitted the required final reports; and (b) requirements for formal performance evaluations before the implementing partner grants are closed.

ITC accepted the recommendations and has initiated action to implement them. Actions required to close the recommendations are indicated in Annex I.

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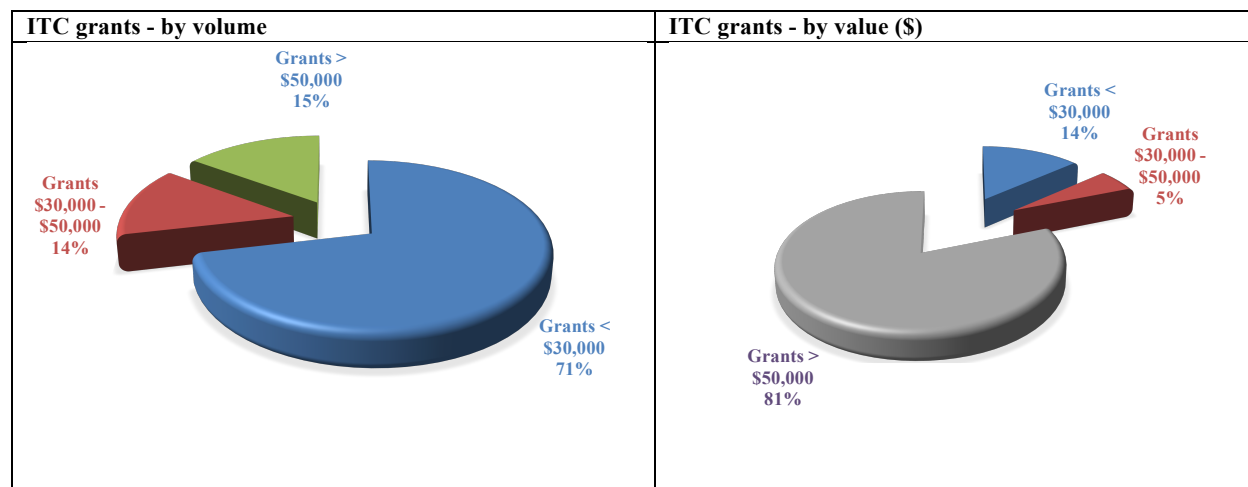
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Audit of implementing partners at the International Trade Centre

I. BACKGROUND

1. The Office of Internal Oversight Services (OIOS) conducted an audit of implementing partners at the International Trade Centre (ITC).
2. ITC is a technical cooperation agency jointly funded by the United Nations and the World Trade Organization to stimulate exports by small and medium-sized enterprises in developing countries and countries with economies in transition. ITC also receives funding from donors and other international organizations, some of which is earmarked for specific technical cooperation projects. Due to its small size and limited field presence, ITC implements some of its projects through implementing partners.
3. ITC engages implementing partners in accordance with the delegation of authority from the United Nations Controller to the ITC Director of the Division of Programme Support. Authority to approve implementing partner agreements with budgets (grants) below \$30,000 was fully delegated to ITC's Division Directors. Implementing partner agreements with grants over \$30,000 were approved by the Director of Division of Programme Support, with those over \$50,000 requiring additional review and recommendation of the ITC Grants Committee.
4. Between January 2020 and June 2022, ITC signed approximately 270 implementing partner agreements with an accumulated grant budget of approximately \$30 million. A significant number of agreements (71 per cent) were for implementing partner grants below \$30,000, although in value terms, they constituted only 14 per cent of the total budget for grants (see Chart 1 below).

Chart 1: Analysis of implementing partners approved between January 2020 to June 2022



5. Comments provided by ITC are incorporated in italics.

II. AUDIT OBJECTIVE, SCOPE AND METHODOLOGY

6. The objective of the audit was to assess the adequacy and effectiveness of governance, risk management and control processes in the selection and management of implementing partners at ITC.

7. This audit was included in the 2022 risk-based internal audit work plan due to the operational and financial risks associated with the selection and management of implementing partners.

8. OIOS conducted this audit from November 2022 to May 2023. The audit covered the period from January 2020 to June 2022. Based on an activity-level risk assessment, the audit covered risk areas relating to implementing partners which included: (a) the policy framework and organizational arrangements; (b) identification and selection; (c) implementation, monitoring and reporting; and (d) financial management and closure.

9. The audit methodology included: (a) interviews with key personnel; (b) review of relevant documentation; (c) analytical review of data; (d) sample testing; and (e) physical observation.

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

III. AUDIT RESULTS

A. Policy framework and organizational arrangements

Need to improve the design of the implementing partners policy framework

11. The ITC implementing partners' policy framework comprised of two policy documents (ITC/AI/2019/02 and ITC/AI/2007/06) and a series of information circulars, guidelines, memos, checklists and templates that collectively outlined the core principles and processes for selecting and managing implementing partners. Fragmentation of the policy framework in multiple documents affected coherence and clarity of the framework. There were no summary documents or flow charts that provided an overview of the process and what aspect was covered in what policy or guidance document. There were also two checklists addressing a mixture of format, substantive and editorial issues that could benefit from being consolidated and streamlined. Further, the payment process in document ITC/AI/2007/06 had not been updated to reflect the new practices arising from the implementation of Umoja in 2015. Also, the delegation of authority from the United Nations Controller to the Director, Division of Programme Support only referenced one policy (i.e., ITC/AI/2007/06) that was in place at the time and needed to be updated to recognize the current policy framework.

(1) ITC should update, consolidate and streamline the various policies, guidelines and delegation of authority documents on implementing partners to avoid duplication and to improve the overall clarity and coherence of the policy framework.

ITC accepted recommendation 1 and stated that it is analysing the recommendation and developing action points for its implementation.

Need to improve guidance to differentiate between procurement and implementing partner modalities

12. Differentiating between procurement and implementing partner modalities is an important element in the policy framework that helps to ensure that the implementing partner modality is only used when appropriate and is not misused to circumvent the procurement process. ITC had developed a brief guide on the criteria for differentiating between when to use the procurement and implementing partner modalities. However, the guide did not define the exceptional cases for which the use of implementing partner modality should be considered for private sector and for-profit social enterprises.

13. According to the policy framework, when in doubt, project managers were expected to consult with the Head of the Project Design Task Force, the Chief of the Procurement Unit, and the Chair of the Grants Committee (or their delegates) for advice whether the envisaged activity should be done through the implementing partnership modality. However, there were no formal terms of reference to govern the role of the three-person advisory group and to ensure that they were consistently consulted in borderline cases such as when private sector entities were being engaged as implementing partners.

14. OIOS' review of a sample of implementing partner agreements showed that there were inconsistencies and shortcomings in differentiating between the implementing partner and procurement modalities when engaging external parties. In 10 out of 71 cases reviewed, ITC engaged private sector entities as implementing partners whereas some of them should have been engaged through the procurement modality since they were providing a defined service for which a marketplace existed. The procurement modality would have been a more appropriate contractual modality in such cases since prices would be agreed on competitively, and payments made after services are delivered and quality certified. OIOS also noted the following cases where similar services were subsequently procured using the procurement modality which raised questions on why the implementing partner modality was used previously:

(a) In grant L21-79, a non-governmental organization was engaged as an implementing partner in 2021 on a sole source basis to implement activities with a budget of \$774,453 (€639,432). Similar services were procured in 2022 through a competitive procurement process leading to an award to a different entity at a significantly reduced value of €312,274.

(b) Six implementing partners in Gambia were engaged as vendors to provide services that were similar in nature (training and capacity building) to those they had previously provided as implementing partners.

(c) One implementing partner was contracted through a low-value procurement process to provide the same services that it was providing as an implementing partner.

15. The need to sole source and/or to engage an external party within a short time sometimes led to project managers opting to use the implementing partner modality in situations where the procurement modality would have been more appropriate. For example, in grant L21-112, the Procurement Unit advised the project manager to use the implementing partner modality on the grounds that they were sole sourcing for programmatic reasons.

(2) ITC should improve the guidelines and oversight mechanisms for differentiating between procurement and implementing partner modalities based on experience and best practices.

ITC accepted recommendation 2 and stated that it is analysing the recommendation and developing action points for its implementation.

Need to improve available data and reports on implementing partners

16. ITC utilized two information technology systems to support the management of its implementing partners: (i) the ITC Legal Instruments Tool (or Memorandum of Understanding [MOU] database) developed in 2016; and (ii) Umoja. The two systems were not integrated, and there was no common field that could facilitate consolidation of information from the two systems. This impacted ITC's capacity to generate adequate and reliable data to support oversight and monitoring of implementing partners. For example, it took a long time for ITC to provide OIOS with an accurate and reliable list of implementing partners engaged in 2021 and 2022, due to the considerable effort that was required to clean up and reconcile information from the two systems.

17. At the time of the audit, ITC was in the process of developing a dashboard to interface the MOU database with Umoja. This initiative, which was started in 2021, had not been fully developed. Therefore, it was not clear whether it would adequately address information and data needs for managing implementing partners. ITC had not yet decided whether to adopt the new Implementing Partner module in Umoja which was rolled out in 2019. The dashboard ITC was developing would be more useful if it was developed after adopting the new Implementing Partners module in Umoja because the new module has more features that would allow recording of more information and generation of more extensive reports. The new module is also designed with additional optional features that would allow data entry by implementing partners and also facilitate the implementing partner selection process.

(3) ITC should: (a) adopt appropriate features in the new Umoja Implementing Partners module based on its needs; and (b) design reports to generate necessary data for effective monitoring and management of implementing partners.

ITC accepted recommendation 3 and stated that it is analysing the recommendation and developing action points for its implementation.

B. Identification and selection

Need to improve the competitiveness of the selection process

18. The ITC implementing partner policy required implementing partners to be selected within the principles of fairness and transparency. Managers were required to clearly document the rationale and justification for selection decisions. The use of calls for expression of interest was required for implementing partners with a budget over \$100,000 except for government entities, United Nations organizations, and other entities that ITC had successfully worked with in the last five years.

19. OIOS' review of the selection process for a sample of 71 implementing partners showed that ITC needed to improve the competitiveness and transparency of the selection process. Calls for expression of interest were not issued in 5 of the 14 implementing partner cases reviewed that had grants over \$100,000. The rationale given for sole sourcing was the unique expertise of the selected implementing partner. Without calls for expression of interest, it was not evident that adequate market research had been done to conclude that no other entities with similar expertise existed.

20. For implementing partners with grants below \$100,000, competitive selection was not a mandatory requirement in the ITC policy framework. Consequently, sole sourcing was widely used in 33 out of the 54 cases reviewed (61 per cent). Similarly, the justification for sole sourcing was the implementing partners' unique experience and/or their previous track record with ITC. Evidence such as performance evaluations were not submitted to support the track record of good performance.

21. OIOS is of the view that ITC needs to adopt informal methods of competition such as those used for low value procurement to enhance the level of competitive selection when engaging implementing partners with grants below \$100,000. Further, in the Gambia, OIOS noted a good practice where potential partners were identified in advance during the project planning phase based on a detailed capacity assessment.

Ex post facto approvals

22. In two of the cases that were sole sourced, the agreements with the implementing partners were signed ex post facto. These were: (i) grant L21-79 where activities with a budget totaling \$774,453 were

undertaken before the agreement with the implementing partner for the same amount was signed; and (ii) grant L20-168 where activities with a budget totaling \$34,657 were undertaken before the agreement for \$202,233 was signed. In the latter case, the Grants Committee was informed about the ex post facto situation, but this was not done for grant L21-79 where the amount involved was much more significant.

23. In another case that was sole sourced (grant L20-7), the agreement with the implementing partner for a grant of \$100,000 was signed in December 2019 but the review and internal approvals by the Finance Management Section and Legal Unit were done ex post facto in October 2020. None of the established procedures were complied with in this case, and the agreement was also not submitted to the Grants Committee for ex post facto review. There was no clearly documented explanation why the activity (granting of scholarships to six women) was considered urgent enough to warrant bypassing the established selection process and approvals. The initial agreement did not also adequately address the reporting and monitoring requirements. OIOS' review of the final report submitted by the implementing partner showed that important details such as criteria used for selecting the beneficiaries of the scholarship, and supporting documents for the level of fees levied were not provided.

24. Ex post facto submissions expose the Organization to risks associated with not conducting proper due diligence which could lead to not selecting the most appropriate partner, over-budgeting, and misuse of funds. The three cases noted show the need for ITC to establish appropriate accountability mechanisms for dealing with ex post facto submissions.

(4) ITC should introduce policies and guidelines to: (a) improve the competitiveness of the selection process for implementing partners; and (b) address accountability requirements for dealing with ex post facto approval of selection decisions.

ITC accepted recommendation 4 and stated that it is analysing the recommendation and developing action points for its implementation.

Need to improve the arrangements for risk and capacity assessments

25. The ITC policy framework requires all implementing partners with grants above \$30,000 to undergo risk and capacity assessments except for government entities, United Nations organizations, and other entities that ITC has successfully engaged in the past five years. The depth and scope of the assessments varied based on the value of the implementing partner grant and were guided by standard templates (Partner Assessment Forms). OIOS noted the following:

(a) In 4 out of 37 cases reviewed, no Partner Assessments Forms were filled as required, and no other risk and capacity assessments were done. Failure to conduct the assessments increased the risk of ITC engaging partners who may not have the required capacity to satisfactorily deliver the planned project activities and properly manage and account for the funds granted. It also meant that the opportunity was missed to identify risks and gaps in capacity and measures to mitigate them.

(b) None of the 31 Partner Assessment Forms reviewed by OIOS adequately identified risks and capacity gaps, and measures to mitigate them. The assessments appeared to focus more on validating the suitability of the one already identified implementing partner. In all cases, implementing partners were assigned the lowest possible risk rating of "low" even though some of the projects entrusted to them were complex and inherently susceptible to higher risk.

(c) ITC had performed the financial capacity assessments primarily through review of the implementing partners' financial statements and audit reports. The assessments did not cover key elements such as the implementing partners' ability to procure goods and services, produce project budgets, receive

cash, disburse funds, and produce the required financial reports. All the implementing partners were assessed as possessing adequate financial management capacities, but in some cases, there were issues with the quality of financial reports and supporting documents that they subsequently submitted.

26. It has been three years since the Partner Assessment Forms were introduced. Therefore, it is an opportune time for ITC to update them based on lessons learned.

(5) ITC should improve guidance and oversight for conducting risk and capacity assessments to ensure: (a) full compliance with established requirements; (b) in-depth financial capacity assessments; and (c) exhaustive identification of significant risks, capacity gaps and measures to mitigate them.

ITC accepted recommendation 5 and stated that it is analysing the recommendation and developing action points for its implementation.

C. Implementation, monitoring and reporting

Need to strengthen reporting and monitoring arrangements

27. OIOS' review of reporting and monitoring arrangements for a sample of 57 implementing partners showed that most partners were paid between 50 and 70 per cent of the grants in advance. Partner agreements had appropriate clauses requiring them to account for the use of funds through periodic narrative and financial reports. Subsequent instalments were only paid after receipt and clearance of the narrative and financial reports by project managers and relevant staff in the Finance Management Section. Project managers monitored implementation through review of these reports and field visits.

28. The audit showed some shortcomings in the quality of key performance indicators (KPIs). Of the 57 cases reviewed, 14 did not have any KPIs while 24 had KPIs that did not meet the criteria of being specific, measurable, achievable, relevant and time bound (SMART). Further, although the narrative reports were comprehensive, most of them lacked clear linkage to the planned activities, outputs and KPIs specified in the partner agreements. The reports did not clearly show how planned activities and outputs were achieved, and reasons for significant variations as well as their impact on the budget where applicable. These gaps affected the effectiveness of performance monitoring as outlined in the examples below.

(a) Quality of indicators

- In one case (Grant L20-239) a local government entity was engaged as an implementing partner to construct a market at a budgeted cost of \$99,000. There were appropriate impact level KPIs such as number of beneficiaries, but none related to the quality and timeliness of construction which was the core activity in the agreement. There was a risk that quality aspects may not have been adequately monitored.
- In some cases, the output indicators used for budgeting such as the number of people interviewed, and number of licenses bought were not included in the KPIs or reported in the narrative reports. This meant that variances in the achievement of these outputs and their impact on fund utilization may not be adequately monitored.

(b) Identifying and explaining performance variances

- For the 13 implementing partners that OIOS visited in Gambia, the KPIs outlined in the agreements, such as number of beneficiaries of the training and mentorship activities, were not consistently captured in the narrative reports. Progress made and gaps in achieving planned outputs were not clearly presented.
- In grant L21-770, ITC engaged an implementing partner for \$774,000 to secure export certifications on behalf of a project beneficiary. The budget included \$435,000 related to certification costs for one product whose certification was not granted. There was no evidence that this gap was explained and adequately followed up.
- In grant L17-182, activities costing \$225,000 were undertaken that were not part of the partner agreement but the variance was not clearly identified and explained in the narrative reports.
- In grant L20-44, activities with a budget totaling \$96,560 were cancelled due to delays in project implementation, but variances and alternative decisions on how they would be addressed were not adequately explained.

(6) ITC should ensure that: (a) appropriate key performance indicators and targets are established in the reporting framework for implementing partners; and (b) narrative reports include clear identification and explanation of variances between planned and actual outputs, and their impact on the budget and utilization of funds.

ITC accepted recommendation 6 and stated that it is analysing the recommendation and developing action points for its implementation.

Need to strengthen financial monitoring

29. Effective review of budgets and periodic financial reports submitted by implementing partners is essential to help ensure that the funds advanced are used as intended. OIOS noted the following:

(a) Issues with budgets

30. There were inconsistencies in the quality and format of budgets. There were some good examples such as for grants 20-231 and 20-302 where the budgets were prepared in a results-based format showing the cost of activities as well as the cost by budget line. In other cases, however, budgets were either activity-based or by budget lines which did not provide an adequate basis for effective monitoring. In some cases, such as grant 20-222, the budget was activity-based but the financial reports submitted by the implementing partner were by budget line, which made it difficult to compare the budget and actual expenditure.

31. There were cases where budget allocations were not adequately explained. For example, in grant 20-168 a lumpsum budget of \$59,842 was defined as “others” without a breakdown of what this entailed. In grant L21-12 the costs for mobilizing the beneficiary groups were estimated at \$4.6 million without clear and adequate explanations. The unit costs and quantities used for computing the budgeted amounts were also not consistently explained in the budget documents.

32. Additionally, the type of supporting documents that the implementing partners were expected to provide to support the related expenditure were not always adequately addressed in the partner agreement. In some cases, such as grant 20-302, the budget document included a column that specified the means of

verification for each budget line. This was a good practice that should be adopted consistently because it helps to clarify expectations and would help to reduce the risk of implementing partners submitting inadequate supporting documentation. Issues with supporting documents was a recurring problem as discussed later in the report.

33. Further, there were inconsistencies in the way overhead costs were determined. In some cases, they were computed as a percentage of the total cost while in other cases, they were budgeted for separately by the various budget lines. For example, in grant 20-168, overhead costs were budgeted for by budget line and the proportion of total overhead costs to total direct costs was 20 per cent which appeared to be on the higher side. Clearly specifying the total overhead costs helps in ensuring that their reasonableness can be properly assessed.

34. The above shortcomings show the need to improve guidance and oversight over the budget process to help ensure that budgeted amounts are adequately explained and provide a proper baseline for effective monitoring of the use of funds.

(7) ITC should improve guidance and oversight over the budget process to ensure that: (a) budgets are consistently prepared on a results-based basis; (b) the basis for computing the budget allocations and how they will be verified are consistently documented in the budget documents; and (c) the proportion of overhead costs to total costs is reviewed for reasonableness.

ITC accepted recommendation 7 and stated that it is analysing the recommendation and developing action points for its implementation.

(b) Issues with supporting documents and quality of financial reports

35. In 25 out of the 51 cases reviewed by OIOS where financial reports had been submitted, the supporting documents were not summarized and referenced as required. In some cases, the supporting documents were numerous, and in the absence of a clear summary, it was challenging to review them. The reports of 25 implementing partners did not provide explanation for significant budget variances.

36. Further, in 18 of the 51 cases reviewed, the supporting documents and explanations for expenses with a total budget of \$2.5 million were not adequate. The most significant portion related to grant L21-12 where there were inadequate supporting details regarding the use of \$2 million that the implementing partner had disbursed to sub-grantees as of July 2022. These disbursements were reported as lumpsum expenditure in the financial report but there was no additional information provided to ITC regarding the actual use of the funds by the sub-grantees. OIOS was informed that ITC could get the information of statement of expenditures prepared by the sub-grantees on request. However, leaving it for the project managers to request the information increases the risk that this significant aspect of expenditure would not be subject to regular review and oversight by ITC.

37. The other cases where OIOS found the supporting documents to be inadequate were mainly attributed to lack of clear requirements on what documents needed to be submitted. The need to clarify the nature of supporting documents needed is addressed in recommendation 7 above.

(c) Issues with organizational arrangements

38. Various staff including field staff, headquarters project staff and staff from the Financial Management Section were involved in the review of financial reports, without clear indication of what they were required to do. For large grants, there was a risk that project staff without a finance background may

not have the capacity to effectively review financial statements and supporting documents and identify anomalies. Financial capacity assessments need to be properly done as explained earlier in the report, so that the financial monitoring framework can be tailored to the risk level (particularly for large grants or projects with several grants). This should help ensure that the capacity of staff needed to effectively review the financial reports (and other important aspects such as the sampling approach to be adopted for reviewing supporting documentation) are pre-assessed and addressed in the monitoring framework as appropriate.

(8) ITC should: (a) ensure that implementing partners consistently summarize and reference the supporting documents submitted; (b) adopt suitable risk-based mechanisms for reviewing financial reports and for monitoring the use of funds disbursed to implementing partners; and (c) define upfront the internal financial monitoring framework for large grants.

ITC accepted recommendation 8 and stated that it is analysing the recommendation and developing action points for its implementation.

D. Financial management and closure

Need to strengthen the follow up of outstanding advances

39. Payments made to implementing partners were recorded in Umoja as advances and charged to expenses after the financial reports had been reviewed and determined to be satisfactory. As of 31 December 2022, there were outstanding advances totaling \$6.8 million of which \$2.6 million related to advances that were over 18 months old, and \$675,000 pertained to partner agreements that had ended. The high level of long outstanding advances was attributed to delays in implementation due to factors such as the COVID-19 pandemic, as well as delays in clearing financial reports due to gaps in the quality of financial reports and related supporting documents. ITC maintained a spreadsheet of outstanding advances extracted from Umoja that was used as a basis for monitoring the outstanding advances. There was evidence that project managers were required to explain reasons for overdue advances. However, in 3 of the 10 cases of long overdue balances reviewed by OIOS, there was no evidence of follow up action taken.

(9) ITC should establish requirements for project managers to maintain documentary evidence of follow up action taken to clear long outstanding advances disbursed to implementing partners.

ITC accepted recommendation 9 and stated that it is analysing the recommendation and developing action points for its implementation.

Need to strengthen the procedures for closing partner agreements

40. ITC requires implementing partners to submit final substantive and financial reports within three and six months, respectively, from completion of project activities. Once the required reports are submitted and found to be satisfactory, the implementing partner grant is designated as closed. OIOS reviewed 10 such closed grants and noted that in five cases, there was no evidence that the required financial and narrative reports had been received. Further, none of the 10 closed grants were subjected to performance evaluation because this was not a mandatory requirement under the ITC policy framework. Given that ITC relies on past performance in its selection of implementing partners, it is essential that performance evaluations of implementing partners are documented before the grants are closed. This should help ensure that implementing partners who had performance issues are not re-engaged, or if they were to be re-

engaged, adequate measures can be taken to avoid repetition of the performance issues noted in the previous instance.

(10) ITC should: (a) establish mechanisms to ensure that implementing partner grants are not designated as closed before they have submitted the required final reports; and (b) establish requirements for formal performance evaluations before the implementing partner grants are closed.

ITC accepted recommendation 10 and stated that it is analysing the recommendation and developing action points for its implementation.

IV. ACKNOWLEDGEMENT

41. 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.

Internal Audit Division
Office of Internal Oversight Services

STATUS OF AUDIT RECOMMENDATIONS

Audit of implementing partners at the International Trade Centre

Rec. no.	Recommendation	Critical¹/ Important²	C/ O³	Actions needed to close recommendation	Implementation date⁴
1	ITC should update, consolidate and streamline the various policies, guidelines and delegation of authority documents on implementing partners to avoid duplication and to improve the overall clarity and coherence of the policy framework.	Important	O	Receipt of evidence of action taken to update, consolidate and streamline the various policies, guidelines, and delegation of authority documents on implementing partners.	31 December 2024
2	ITC should improve the guidelines and oversight mechanisms for differentiating between procurement and implementing partner modalities based on experience and best practices.	Important	O	Receipt of evidence that ITC has improved its guidelines and oversight mechanisms for differentiating between procurement and implementing partner modalities.	31 December 2024
3	ITC should: (a) adopt appropriate features in the new Umoja Implementing Partners module based on its needs; and (b) design reports to generate necessary data for effective monitoring and management of implementing partners.	Important	O	Receipt of evidence that ITC has: (a) adopted appropriate features in the new Umoja Implementing Partners module based on its needs; and (b) designed reports to generate necessary data for effective monitoring and management of implementing partners.	31 December 2024
4	ITC should introduce policies and guidelines to: (a) improve the competitiveness of the selection process for implementing partners; and (b) address accountability requirements for dealing with ex post facto approval of selection decisions.	Important	O	Receipt of evidence that ITC has introduced policies and guidelines to: (a) improve the competitiveness of the selection process for implementing partners; and (b) address accountability requirements for dealing with ex post facto approval of selection decisions.	31 December 2024
5	ITC should improve guidance and oversight for conducting risk and capacity assessments to ensure: (a) full compliance with established requirements; (b) in-depth financial capacity assessments; and (c)	Important	O	Receipt of evidence of action taken to improve guidance and oversight for conducting risk and capacity assessments.	31 December 2024

¹ Critical recommendations address those risk issues that require immediate management attention. Failure to take action could have a critical or significant adverse impact on the Organization.

² Important recommendations address those risk issues that require timely management attention. Failure to take action could have a high or moderate adverse impact on the Organization.

³ Please note the value C denotes closed recommendations whereas O refers to open recommendations.

⁴ Date provided by ITC in response to recommendations.

STATUS OF AUDIT RECOMMENDATIONS

Audit of implementing partners at the International Trade Centre

	exhaustive identification of significant risks, capacity gaps and measures to mitigate them.				
6	ITC should ensure that: (a) appropriate key performance indicators and targets are established in the reporting framework for implementing partners; and (b) narrative reports include clear identification and explanation of variances between planned and actual outputs, and their impact on the budget and utilization of funds.	Important	O	Receipt of evidence of actions taken to ensure that: (a) appropriate KPIs and targets are established in the reporting framework for implementing partners; and (b) narrative reports include clear identification and explanation of variances between planned and actual outputs and their impact on the budget and utilization of funds.	31 December 2024
7	ITC should improve guidance and oversight over the budget process to ensure that: (a) budgets are consistently prepared on a results-based basis; (b) the basis for computing the budget allocations and how they will be verified are consistently documented in the budget documents; and (c) the proportion of overhead costs to total costs is reviewed for reasonableness.	Important	O	Receipt of evidence of action taken to improve the guidance and oversight over the budget process to ensure that: (a) budgets are consistently prepared on a results-based basis; (b) the basis for computing the budget allocations and how they will be verified are consistently documented in the budget documents; and (c) the proportion of overhead costs to total costs is reviewed for reasonableness.	31 December 2024
8	ITC should: (a) ensure that implementing partners consistently summarize and reference the supporting documents submitted; (b) adopt suitable risk-based mechanisms for reviewing financial reports and for monitoring the use of funds disbursed to implementing partners; and (c) define upfront the internal financial monitoring framework for large grants.	Important	O	Receipt of evidence of action taken to: (a) ensure that implementing partners consistently summarize and reference the supporting documents submitted; (b) adopt suitable risk-based mechanisms for reviewing financial reports and monitoring the use of funds disbursed to implementing partners; and (c) define upfront the internal financial monitoring framework for large grants.	31 December 2024
9	ITC should establish requirements for project managers to maintain documentary evidence of follow up action taken to clear long outstanding advances disbursed to implementing partners.	Important	O	Receipt of evidence that ITC has established requirements for project managers to maintain documentary evidence of follow up action taken to clear long outstanding advances disbursed to implementing partners.	31 December 2024
10	ITC should: (a) establish mechanisms to ensure that implementing partner grants are not designated as closed before they have submitted the required final	Important	O	Receipt of evidence that ITC has established: (a) mechanisms to ensure that implementing partner grants are not designated as closed before they	31 December 2024

STATUS OF AUDIT RECOMMENDATIONS

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	reports; and (b) establish requirements for formal performance evaluations before the implementing partner grants are closed.			have submitted the required final reports; and (b) requirements for formal performance evaluations before the implementing partner grants are closed.	
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APPENDIX I

Management Response

Management Response

Audit of implementing partners at the International Trade Centre

Rec. no.	Recommendation	Critical ¹ / Important ²	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
1	ITC should update, consolidate and streamline the various policies, guidelines and delegation of authority documents on implementing partners to avoid duplication and to improve the overall clarity and coherence of the policy framework.	Important	Yes	Director Division of Programme Support	Q4 2024	ITC is analyzing the recommendations and developing action points for their implementation
2	ITC should improve the guidelines and oversight mechanisms for differentiating between procurement and implementing partner modalities based on experience and best practices.	Important	Yes	Director Division of Programme Support	Q4 2024	ITC is analyzing the recommendations and developing action points for their implementation
3	ITC should: (a) adopt appropriate features in the new Umoja Implementing Partners module based on its needs; and (b) design reports to generate necessary data for effective monitoring and management of implementing partners.	Important	Yes	Director Division of Programme Support	Q4 2024	ITC is analyzing the recommendations and developing action points for their implementation
4	ITC should introduce policies and guidelines to: (a) improve the competitiveness of the selection process for implementing partners; and (b) address accountability requirements for dealing with ex post facto approval of selection decisions.	Important	Yes	Director Division of Programme Support	Q4 2024	ITC is analyzing the recommendations and developing action points for their implementation
5	ITC should improve guidance and oversight for conducting risk and capacity assessments to ensure: (a) full compliance with established requirements; (b) in-depth	Important	Yes	Director Division of Programme Support	Q4 2024	ITC is analyzing the recommendations and developing action points for their implementation

¹ Critical recommendations address those risk issues that require immediate management attention. Failure to take action could have a critical or significant adverse impact on the Organization.

² Important recommendations address those risk issues that require timely management attention. Failure to take action could have a high or moderate adverse impact on the Organization.

Management Response

Audit of implementing partners at the International Trade Centre

Rec. no.	Recommendation	Critical ¹ / Important ²	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
	financial capacity assessments; and (c) exhaustive identification of significant risks, capacity gaps and measures to mitigate them.					
6	ITC should ensure that: (a) appropriate key performance indicators and targets are established in the reporting framework for implementing partners; and (b) narrative reports include clear identification and explanation of variances between planned and actual outputs, and their impact on the budget and utilization of funds.	Important	Yes	Director Division of Programme Support	Q4 2024	ITC is analyzing the recommendations and developing action points for their implementation
7	ITC should improve guidance and oversight over the budget process to ensure that: (a) budgets are consistently prepared on a results-based basis; (b) the basis for computing the budget allocations and how they will be verified are consistently documented in the budget documents; and (c) the proportion of overhead costs to total costs is reviewed for reasonableness.	Important	Yes	Director Division of Programme Support	Q4 2024	ITC is analyzing the recommendations and developing action points for their implementation
8	ITC should: (a) ensure that implementing partners consistently summarize and reference the supporting documents submitted; (b) adopt suitable risk-based mechanisms for reviewing financial reports and for monitoring the use of funds disbursed to implementing partners; and (c) define upfront the internal financial monitoring framework for large grants.	Important	Yes	Director Division of Programme Support	Q4 2024	ITC is analyzing the recommendations and developing action points for their implementation
9	ITC should establish requirements for project managers to maintain documentary evidence of follow up action taken to clear	Important	Yes	Director Division of	Q4 2024	ITC is analyzing the recommendations and developing action points for their implementation

Management Response

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	long outstanding advances disbursed to implementing partners.			Programme Support		
10	ITC should: (a) establish mechanisms to ensure that implementing partner grants are not designated as closed before they have submitted the required final reports; and (b) establish requirements for formal performance evaluations before the implementing partner grants are closed.	Important	Yes	Director Division of Programme Support	Q4 2024	ITC is analyzing the recommendations and developing action points for their implementation