International Trade Centre

MEMORANDUM

CONFIDENTIAL

TO-A: Mr. Christopher F. Bagot
Chief, Geneva Audit Service
Internal Audit Division
Office of Internal Oversight Services (OIOS)

REF: IAD: 12-03659

THROUGH-VIA:

GENEVA-GENÈVE:

FROM-DE: Eva K. Murray
Director, Division of Programme Support
International Trade Centre (ITC)

DATE: 29 June 2012

SUBJECT-OBJET: **Assignment no. AE2011/350/01 – Audit of ITC NTF II Project "Creating Sustainable Exporter Competitiveness in the Coffee Sector in Uganda"**

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1. Reference is made to your memorandum of 12 June 2012 addressed to Ms. Francis, the International Trade Centre's (ITC) Executive Director, concerning the draft report of the above-mentioned audit.

2. Having analysed the findings of the draft audit report we are pleased that you have taken into consideration our comments of 31 January 2012 provided to your detailed audit results of 16 January 2012.

3. We note that the overall results of the management of the NTF II Uganda project were partially satisfactory and that recommendations have been classified as "important". Following the detailed audit results of 16 January 2012, ITC's Senior Management has initiated the necessary steps to address the identified issues. We understand that outstanding important recommendations will be followed up on an annual basis.

4. Further steps for implementing your recommendations have been taken and we expect to meet the target date of implementation by the end of 2013.

5. Please find attached ITC's comments on the draft audit report. Also attached is ITC's detailed action plan showing target dates, ITC's representatives responsible for implementation of recommendations 1 to 10 as well as ITC's comments on each of the recommendations.

Ms. Patricia Francis, Executive Director, ITC
Mr. Anders Aeroe, Director, Division of Market Development, ITC
Ms. Victoria Browning, Acting Director, Strategic Planning, Performance and Governance, ITC
Mr. Robert Skidmore, Chief, Sector Competitiveness, Division of Market Development, ITC
Ms. Lilia Naas, NTF II Programme Manager, ITC
Ms. Amy Wong, Programme Officer, Internal Audit Division, OIOS

ANNEX I

AUDIT RECOMMENDATIONS

Audit of ITC NTF II Project "Creating Sustainable Exporter Competitiveness in the Coffee Sector in Uganda"

Rec. no.	Recommendation	Critical[1]/ important[2]	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
1.	ITC should strengthen programme management and supervision to ensure that it is able to implement programmes in a timely manner to avoid reductions in available funding resulting from restrictions placed by the Centre for the Promotion of Imports from Developing Countries of the Netherlands for funding its future programmes and projects.	Important	Yes	SPPG Ops Committee	Dec 31, 2013	*Review report of the design phase was undertaken to document the NTF II design process and how it can be improved. ITC is planning a key learning workshop in Sept 2012 to share the lessons learned from managing large programmes and develop a homogeneous and streamlined process for project cycle management that will be applied across ITC.*
2.	ITC should formalize a corporate level procedure for assessment, selection and performance evaluation of its implementing partners, including a mechanism to share partners' performance information within ITC.	Important	Yes	DCP OD Hauswirth SPPG	Dec 31, 2013	*There will be pragmatic guidance regarding the selection of partners, i.e. a checklist.*
3.	ITC should ensure that its work is incorporated in the United Nations Development Assistance Framework for Uganda, in order to realize its commitment to the "One UN" initiative	Important	Yes	DCP OA NTF II	on-going Dec 31, 2013	*NTF II team visited the UN Country Manager and worked out a way forward for inclusive in the UNDAF which is in revision in 2012. We also had important*

[1] Critical recommendations address significant and/or pervasive deficiency or weakness 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.

Rec. no.	Recommendation	Critical[1]/ important[2]	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
	and improve scope for collaboration with other United Nations agencies.					*discussions on how to better link ITC work with UNDP Uganda.*
4.	ITC should strengthen its coordination and liaison activities with other stakeholders in the coffee sector in Uganda, including implementing the local communication plan to improve visibility of the project, strengthening the Project Coordination Group to avoid duplication of efforts, and linking up farmers' associations with production and post-harvest support providers.	Important	Yes	DMD Chief Sector Competitiveness R. Skidmore	on-going Dec 31, 2012	*NTF II highlighted in the coffee breakfast meeting in Uganda* *UCDA newsletter included a number of short write-ups on NTF II* *Field communication improved (TV, press and radio), with costs covered by the partners own resources.*
5.	ITC should develop baseline information for all NTF II programme level indicators in the Uganda project.	Important	Yes	NTF II Programme Manager L. Naas	Dec 31, 2012	*Programme in the process of undertaking a survey to analyze concretely how the project is contributing to programme outcomes (increase in export value and improved support services) and at impact level (improved income, gender specific impact, poverty specific impact). The baseline will also be updated to reflect what the project achieved.*
6.	ITC should enhance monitoring and evaluation capacity of partners in accordance with the project document and the principles underlining the NTF II Partnership agreement.	Important	Yes	NTF II Programme Manager L. Naas	Dec 31, 2012	*Training was completed in Dec 2011.* *The lead monitor has been providing backstopping and support to the three partner institutions to implement their M&E action plans.* *Concrete steps to anchor and strengthen M&E function within UCDA and UEPB are documented in the progress report* *For NUCAFE this is part of their new strategic plan, which was*

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						developed with ITC's assistance.
7.	ITC should reassess the staff costs payable to NUCAFE for 2012 - 2013 under the NTF II Uganda project based on the project needs and the actual payroll information of NUCAFE and incorporate it in the new Memorandum of Understanding with NUCAFE.	Important	Yes	NTF II Programme Manager L. Naas	Dec 31, 2012	*Staff costs paid by the project to NUCAFE reassessed. New MOU signed in June 2012 shows clearly the links between expected deliverables and the staff time required from NUCAFE. The staff cost is aligned with the agreed time allocation, and the applicable rate in Uganda.*
8.	ITC should ensure that Memorandum of Understanding with implementing partners clarifies procedures and rates for daily subsistence allowance and other travel related expenditure.	Important	Yes	NTF II Programme Manager L. Naas [for specific MOU] DPS CSS Chief CSS Sophie Hecht [for general advice]	Dec 31, 2012	*As indicated in the previous comments provided, the lumpsum payment was wrongly labeled in project documents and budgets as DSA. The lumpsum payment was provided to each participant to pay for their substantive inputs to the programme. All previous MOUs under the project have been concluded and no new MOU has been done with partner UEPB pending resolution of previous issues and agreement on how future activities will be administered. ITC will provide additional guidance to project managers on DSA related and lump sum issues.*
9.	ITC should align its internal guidelines on the Administration of Consultants with the United Nations Administrative Instruction on Consultants and Individual Contractors (ST/AI/1999/7).	Important	Yes	DPS HR Chief HR C. Rogerson	Dec 31, 2012	*The major difference concerns the length of mandatory break. We are reviewing with the aim of aligning ITC policy with that of the UN.*
10.	ITC should ensure that in-kind contributions from partners under the NTF II Uganda project are properly	Important	Yes	NTF II Programme Manager	Dec 31, 2012	*ITC's CRM system is currently in pilot phase (with 40 staff being trained) and full roll-out across all*

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	valued and reported.			**L. Naas** **CRM** **P.Kelly**		***the organisation will take place in 3rd quarter 2012. The CRM system includes a feature that enables staff to record contributions-in-kind and link these to both projects and beneficiaries.***