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| **1 September 2014** |
| **Original: English** |
| **Report by the Secretary-General** |
| EXTERNAL AUDIT OF THE UNION'S ACCOUNTS on ITU TELECOM WORLD 2013 |

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| **Summary**The External Auditor's report covers the accounts for the ITU TELECOM World 2013 exhibition.**Action required**The Council is invited to examine the External Auditor's report on the 2013 accounts and to **approve** the accounts as audited.\_\_\_\_\_\_\_\_\_\_\_\_**References**[*Financial Regulations (2010 Edition)*](http://www.itu.int/council/finregs/Regl_Fin_10e.pdf)*: Article 28 and additional terms of reference* |



Corte dei Conti

**INTERNATIONAL TELECOMMUNICATION UNION**

**Audit of the world event
ITU TELECOM WORLD 2013**

29.05.2014

REPORT OF EXTERNAL AUDITOR

**Report of External Auditor**

**INTERNATIONAL TELECOMMUNICATION UNION (ITU-UIT)**

**Audit of the world event**

**ITU TELECOM WORLD 2013**

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# Summary of the audit

1. According to Resolution 11 (revised in Plenipotentiary Conference in Guadalajara 2010), *resolves* no. 6, “the audit of ITU Telecom accounts shall be carried out by the External Auditor of the Union”.
2. This report covers the results of our audit of the profit and loss account for the ITU Telecom World 2013 event. This review is not to be considered as an audit of the financial statements drawn up under IPSAS, following which we issue an audit opinion. Its sole purpose is to inform the ITU Council that transactions in respect of this event have been correctly handled in the accounts.
3. The audit of the ITU Telecom World 2013 accounts submitted to us (Doc. C13/5-E and refer to Annex III of this Report) are accurate and entries relating to the event have been correctly posted to account.
4. The Resolution 11 (Rev. Guadalajara, 2010) *resolves* 4 prescribes that “each ITU TELECOM event shall be financially viable and shall have no negative impact on the ITU Budget on the basis of the existing cost – allocation system as determined by the Council”.
5. Concerning the ITU Telecom World organized in 2013 in Bangkok, the result at 31 December 2013 was positive, equivalent to CHF 1,854,884, as shown in paragraph 23, whereas the positive result for the event held in 2012 in Dubai was CHF 637,946.26.

# Legal Framework and scope of the audit

1. The rules applicable to world and regional telecommunication exhibitions and forums and similar events organized by the Union are set out in Article 19 of the ITU Financial Regulations and Financial Rules. Specific features are also identified in Resolution 11 (Rev. Guadalajara 2010) and in the TELECOM Financial Rules and Procedures, which entered into force on 13 March 1998 and its updated version.

1. The Plenipotentiary Conference held in Guadalajara in 2010 adopted, amongst others, the Resolution 11 on ITU Telecom events, effectively starting with the ITU Telecom event of the 2012. Several issues of this Resolution have been carefully considered in this Audit, and, when appropriate, our analysis, comments and recommendations have been inserted in this Report.
2. The audit described in this report is related to the accounts of the ITU Telecom World 2013, for the period from 1 January 2013 to 31 December 2013. These accounts reflect the expenses and revenue for this event and provide other additional information for the ITU Council. However they are not to be considered as financial statements drawn up under IPSAS, even though ITU has been applying the IPSAS standards since 1 January 2010. Only the consolidated financial statements of the Union, which are not subject of this audit, are drawn up under IPSAS.
3. The audited accounts are published in Annexes A and B to Council 2014 document C14/27, English language version. We did not review the other annexes to that document (Annexes C, D, E and F). As also stated above in paragraph 2, this audit report is not accompanied by an audit opinion. An audit opinion is only issued in respect of the consolidated financial statements of the Union.

# Audit activities

1. Our audit was carried out in accordance with the International Organization of Supreme Audit Institution (INTOSAI) Fundamental Principles of Auditing, and the additional terms of reference forming an integral part of the Union's Financial Regulations.
2. We have planned the working activities according to our audit strategy in order to obtain a reasonable assurance that there are no material misstatements.
3. We carried out an audit on site from 18 to 22 November 2013, verifying the actual realizations, the ongoing activities and the cash checks.
4. During our site audit of ITU Telecom World 2013 in Bangkok, we have carried out regular verifications in order to ensure that the accounting records related to cash movements were well kept, and we have not detected any error.
5. Furthermore, at the end of the Event, we have performed the final cash counting at the Bank together with the ITU TELECOM Financial Controller. The accounting entries reconciled with the Bank documents and we have not detected any error.
6. In order to evaluate the compliance with rules, resolutions, recommendations and best practices, we also collected sales data, participants data, access data and direct evidence, comparing them with the data considered in the analysis presented by ITU Telecom Management.
7. Beyond financial results, we also considered appropriate Key Performance Indicators (KPIs) to carry on the aforementioned evaluation.
8. We verified that the ITU Telecom World 2013 profit and loss sheet as at 31 December 2013 corresponded with the accounts submitted to us, testing on a sample basis that the entries relating to the event had been correctly assigned. The audits covered book-keeping, revenues and expenses and recognition of the result.
9. We discussed and clarified all the issues with the responsible officials during the audit; we have tested, on a sample basis, a number of transactions and relevant documentation and we have obtained sufficient and reliable evidence in relation to the ITU Telecom World 2013 accounts.
10. On 23 May 2014, we presented our draft Audit Report to the Financial Resources Management Department and ITU Telecom Secretariat. The Report includes areas requiring improvement, as well as recommendations and suggestions to be brought to the Council’s attention, in accordance with Article 19 of the ITU Financial Regulations and Financial Rules.
11. No appeals or proceedings have been formally brought against the Union within the framework of ITU Telecom World 2013; no case of fraud or presumed fraud was reported to us.

**Acknowledgements**

1. We would like to express our gratefulness to all the ITU staff who openly collaborated with us, in Geneva and during the event in Bangkok, and who had provided us all the required information and documents.

**Changeover to IPSAS**

1. Following the shift to IPSAS, ITU Telecom World accounts are henceforth closed no later than the end of the financial year during which the event is held, in order to comply with the accrual principle. Thus, the accounts for ITU Telecom World 2013 were closed on 31 December 2013.

# Key Figures

1. A table of the total budgeted expenses and revenue is given below:

(CHF)

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| --- | --- | --- | --- | --- | --- |
| WT 2013 | Budget | Revised budget | Actual | Variance from original budget | Variance from revised budget |
| Revenue | 12,465,500.00 | 11,007,500.00 |  11,394,198.71 | -9 % | 4% |
| Expenses | 11,379,500.00 |  9,687,500.00 |  9,539,314.71 | -16 % | -2% |
| **Result** |  **1,086,000.00** |  **1,320,000.00** |  **1,854, 884.00** | **71%** | **41%** |

1. The final result of this event shows a surplus of around 1,9 MCHF at 31.12.2013. It is worthwhile mentioning that two debtors’ invoices, provisioned at 100% at the year end, in the amount of 124,400 CHF, have been paid in 2014, increasing the event result. Telecom World 2012 held in Dubai recorded a positive event result of 0,6 MCHF. We welcome this improvement, and at the same time we analyzed further implications of this fact.

# Exhibitions Working Capital Fund

1. As stipulated in Article 19 par. 4 of the ITU Financial Regulations, any surplus income or excess expenditures resulting from world or regional exhibitions shall be transferred to an Exhibition Working Capital Fund.
2. The positive outcome of ITU Telecom World 2013 resulted in an improved balance of the Exhibition Working Capital Fund, whose levels from 2009 to 2013 are shown below in kCHF.
3. We welcome the second increase in a row of the Fund, after the negative results of prior years.

# Relevant changes, budget revision and actual results

1. Article 1, Part X, of the *TELECOM Handbook of Financial Rules and Procedures* which states that “the Budgets for each Telecom exhibition, forum or other event shall be prepared, approved and signed by the Secretary-General not later than six months before the opening date of that event”. For ITU Telecom World 2012, the budget was approved by the Secretary-General on April 2012, and the event took place in October 2012 in Dubai.
2. The budget for ITU Telecom World 2013, was approved on 20 May 2013. According to Article 4, Part X, of the *TELECOM Handbook of Financial Rules and Procedures* “Budgets shall be revised as and when significant changes are foreseen not later than one month before the opening of the event”.
3. A revised budget was approved on 27 of September 2013 due to the significant variations in estimations of revenues and expenses in the initial budget of April 2013.

1. Considering that Resolution 11 (Rev. Guadalajara, 2010) *resolves* 2 prescribes that “the Secretary-General is fully accountable for ITU Telecom World activities (including planning, organization and finance)”, and since the budget and its comparison with actual cost, is a fundamental tool, not only for orienting policies and for a clear accountability but also for helping the Secretary General in fulfilling his duties, as we recommended in Audit Report for ITU Telecom World 2012, the revision of the budget of ITU Telecom World 2013 was necessary and was timely carried out, i.e. not later than one month before the opening of the event.

## More accuracy in original previsions

1. As shown above, a 16% variance of actual expenses from originally budgeted expenses was recorded, with a slight improvement compared with previous event variance of actual from budgeted figures, which was around 20%.

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| **Recommendation no. 1**1. We consider that the budget should be based on a more realistic and attainable budget assumptions in order to avoid the burden of revision.
2. Therefore, we recommend that the budget reflects realistic and attainable assumptions.
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**Comments by the Secretary-General:**

Efforts will be continued in refining budget assumptions while taking into account the support from Host Countries which translates into the need for ITU to make adequate contingency planning.

## Considering actual status in revised budget

1. When the need of a revised budget occurs, it has to be prepared with the enlightening of all the updated information that have become available in the meantime.
2. Considering the timing of revised budget, among available information there had to be also data about actual status at a certain date.

**Comments by the Secretary-General:**

During each budget revision exercise, the actual revenue and expenses are always taken into consideration, the amounts of which are constantly changing. The relevant figures will be made available in a separate document from the budget.

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| **Suggestion no. 1**1. Since we consider these information as tools for better evaluations, we suggest to add reference to the actual status of revenue and expenses when a revised budget is prepared.
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## A timely signature of the Host Country Agreement will help in reducing deviations

1. The Resolution 11 (Rev. Guadalajara, 2010) *instructs the Secretary General* point 8 prescribes to “develop a model host-country agreement and use all means possible to get it approved by the Council as soon as possible (…)” and we acknowledge that this document has been duly prepared for ITU TelecomWorld 2013.

1. The Host Country Agreement is one of the main documents necessary for drawing up an accurate and realistic budget. We observed that, for ITU Telecom World 2013, it was signed on 3 May 2013, before the approval of the budget on 20 May 2013.

## Reporting on the event linking results, general objectives of Resolution 11 with KPIs

1. The Resolution 11 (Rev. Guadalajara, 2010) *resolves* 2) states “that the Secretary-General is fully accountable for ITU Telecom World activities (including planning, organization and finance)”.
2. We have analyzed the various parts of the process and, at the reporting stage, we have evaluated relevant reports which provide to the Secretary-General feedback of the results and cost-effectiveness of the event.
3. As we suggested in report on WT2012, link and confrontation between KPIs and results, in the frame of the general objectives as stated in Resolution 11 have been carried out and presented.
4. Nevertheless, in collecting data for analysis, as divided in categories, authors of the KPIs Report put a relevant percentage of cases in the residual category such as “other” (for instance, among participants to the forum).

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| **Suggestion no. 2**1. We consider that an improvement in fixing of categories could be useful to clearly present KPIs, showing a more detailed view, and therefore we suggest it.
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**Comments by the Secretary-General:**

KPIs have been defined and are being tracked. Efforts will be continued in refining the KPIs and using them to guide the design and staging of ITU Telecom World events.

# Revenue

1. The positive variation of actual revenue in respect to the budget (+4%) is mainly due to the significantly higher value of barter services under Communications & Marketing.
2. Revenue from admission passes produced an unpredicted additional revenue for 180,000 CHF.
3. The increase in this revenue is mainly due to high participation to the Exhibition, while the number of participants to the WT13 Forum has been only slightly higher than in WT12, and half of the participants to WT11 (as also shown in KPIs Analysis).
4. With reference to Flexibility and Discount policies, an “ITU Telecom policy and procedures” document was amended and updated on 22 March 2012 with particular reference to the discounts in passes, floor space and advertising. Annex 1 of the above mentioned document considers 40 “potential Event Partners and Key ICT Players” who were provided discounts. On 5 June 2013 “ITU Telecom policy and procedures” was further amended, reflecting the Access Passes Sales Plan for ITU Telecom World 2013 [ref. Memorandum 6 June 2013 to the Secretary-General].
5. Specific changes have been brought by that amendments about “Cancellation of a participant contract” (introducing a cancellation without penalties) and about Discounted Passes (for early and bulk purchases). A more globally inclusive list of key ICT players was provided.
6. The results of sale of admission passes for WT13, compared with the result of 2012, shows an increased number of passes sold, but a decrease of the revenue.
7. The “Bronze pass” has been the widely sold category (apart from local visitors’ passes), but “Gold passes” were the main source of revenue among the passes.
8. Considering that the policy to be followed in such matter, in observance of the specific resolutions, is to balance the need for facilitating participation with the grant of the financial viability, we appreciate this result and wait for an even better fine tuning of this issue.

## Re-thinking of “early bird” fee

1. For WT13 there have been (as for WT12) a high number of different fees, related to different services or to different ways or time of purchase.
2. Among the latter, specific discounts for early registration (until nine weeks before the event) have been applied, with the definition of “early bird” fee.
3. The selling curve (as exposed also in KPIs Report) shows that no significant increase of pass sale was registered in the period between eleven to nine weeks before the event) .
4. We see that such reduced fees had no favorable result in pass sale, and possibly produced a decrease of revenue unmatched by advantages.

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| **Suggestion no. 3**1. Therefore, we suggest to analyze more carefully the behavior of buyers and to modify the conditions for this discounted fee, choosing a later period, or eliminating it.
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**Comments by the Secretary-General:**

The flexibility provided by the discount policy has enabled ITU Telecom to engage with and secure the participation of key industry players. ITU Telecom will continue to monitor the policy to ensure it effectively serves its purpose and reflects developments in our rapidly changing ecosystem. Discounts are only one of several elements partners/clients consider before deciding to participate. There is no direct correlation between revenues and discount policy.

## “Upgrading passes on site” procedure

1. Some revenue from upgrading passes, realized directly with a cash operation at the Event opening, have not been timely registered in the system and only lately regularized.

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| **Recommendation no. 2**1. Although the fact is non marked with materiality, we recommend that a standard procedure for such cases should be adopted.
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**Comments by the Secretary-General:**

A written standard procedure will be provided for pass upgrades. The possibility of reflecting the upgrade in the system by the registration team at the back office during the end of the day is being discussed. The possibility of a technical solution for upgrades in the registration system is being explored.

## Media presence

1. Specific areas of the Show-floor were dedicated to media activities and services, and to showcases entitled to magazines in the Reading Area. We noted that almost all of the latter has been unattended during the whole duration of the event.

**Comments by the Secretary-General:**

Efforts will be continued in optimizing showfloor utilization taking into account last minute cancellations and the increased expenses associated with the repurposing of “unused” spaces.

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| **Suggestion no. 4**1. Conceded that it is a choice of the third parts not to use spaces at their disposal, a deserted area of the Show-floor could have negative impact on the perception of Media interest for the event. We therefore suggest to identify as early as possible such unused spaces and convert them in an appropriate way.
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1. Data on presence show a reduction of the presence (5%) of visitors of the Media sector (quota was 8% in WT12).
2. We acknowledge that a relevant and growing part of media activities is nowadays operated on-line, but nevertheless such reduction deserves attention for its inherent meaning of a lower interest for the Event from media.

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| **Suggestion no. 5**1. We therefore suggest to consider and analyze this decrease with the aim of getting a clear view of level of interest of different kinds of media that the Event arises.
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**Comments by the Secretary-General:**

Efforts will be continued in enhancing the participation of quality media groups including new media and through creative partnerships and remote participation.

## Barters should be better disclosed

1. The global value of bartered services was budgeted for 0.3 MCHF whereas the actual figures are equal to more than 1.1 MCHF, i.e. three times more than budgeted. From the explanations offered by ITU Telecom Secretariat, we understand that the estimation was very conservative and did not include important kinds of media services such as those online.

1. Generally, barters have been duly registered and their value has been correctly recognized. A relevant advantage for ITU is registered. However, for some of the barters (e. g. those with BBC, CNN and Markets&Markets) we note a level of disclosure that can be still improved. Furthermore, the value of the visibility given to media companies in printed and digital material produced by ITU has not been determined.

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| **Suggestion no. 6**1. Therefore, we have to suggest again (as last year, Rec. 5/2012) to increase the level of disclosure of these services and facilities provided by ITU Telecom and to monitor the value of each barter.
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| **Comments by the Secretary-General:** Barter agreements are important to attract companies/investors and cost-effectively acquire critical services/products. All barters opportunities are rigorously evaluated and information on benefits to ITU as well as services provided by ITU is readily available. |

# Expenses

1. The overall amount of actual expenses (9.5 MCHF) was considerably lower than expected in original budget (-1.9 MCHF), but not far from the provision in the revised budget (9.7 MCHF).
2. However, the composition of the amount of expenses differs significantly from provisions. Direct Expenses have been 16% lower than Revised Budget figures (and -38% lower than original budget) mainly due to the services provided by the Host Country free of charge; actual Indirect (Core) Expenses, on the contrary, have been 10% higher than budgeted.
3. The measure of this second figure has to be analyzed as follows.

# Cost recovery

1. In the budget, among “Miscellaneous expenses” there are recognized in “Core Expenses” pertaining to ITU Telecom Secretariat (more than 3 MCHF), and to ITU cost recovery (actual 2,5 MCHF). The first figure is determined by the percentage of time which personnel of ITU Telecom Secretariat dedicated to the event. The expenses recognized as cost recovery for the ITU staff is fixed and its amount is determined by the Secretary-General.
2. With a decision of the Secretary-General (signed 3.3.2014), the amount of Indirect Expenses Cost Recovery was increased from 1.5 MCHF to 2.5 MCHF.
3. We consider the application of a cost-recovery of those expenses substantially correct and in line with Resolution 91 (Rev. Guadalajara, 2010).
4. By analogy, the Resolution 91 (Rev. Guadalajara, 2010) *resolves 1*, prescribing “to continue to endorse the use of cost recovery, to the maximum extent possible, as a means of funding the products and services of the Union for which the cost recovery approach is adopted”, considers also various elements to comply with when the cost-recovery is determined by the Management.
5. Although we fully understand the necessity for ITU to have this cost-recovery applied in ITU Telecom World event, due to the relevant impact of the cost recovery on the final result of the event, as we already noted in last year’s report, we consider the lack of adequate evidence on the cost-accounting process that implement original determination of the value of the cost recovery. This consideration applies also for the decision of increasing and almost doubling it.

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| **Recommendation no. 3**1. Considering that there are no recent analyses of the measure and the composition of this lump-sum, we recommend the Management to provide a clear basis on how the amount of cost recovery is arrived at.
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| **Comments by the Secretary-General:** The amounts of cost recovery for 2014 and 2015 have already been defined in the approved biennial budget. For the cost recovery from 2016, a detailed study will be completed which will serve as the basis for the charges. |

# *Quality of free services*

1. Host Country offered free-of-charge services. Local, very young personnel were present at the doors of Showfloor, at the entrance of the Forum area and every session rooms, checking badges of entering and exiting participants.
2. We are aware that no real possibility of choice about the quality and professionalism of this personnel was left to the event organization. We also can confirm that frequent briefings occurred to better instruct these units.
3. Nevertheless we had direct evidence that some service was not totally satisfactory. For instance, the staff units dedicated to read and check the badges at the entrance of every Forum session, assured an efficiency close to 80%, causing lack of accuracy for information about participants. We also tested the possibility of exchange of badges between two persons and had direct evidence that the different identity was not detected. Other lacks in controls of the badge occurred in accessing Show-floor, in some minor circumstances.
4. We also noted that entering in forum session was usually checked, but exiting was not checked on a regular basis. We believe that information about how many people were present in specific Forum session for all or most of the duration, could be useful to determine how many speakers have been appreciated, and were able to retain participants in a “value for money” view.

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| **Recommendation no. 4**1. We therefore recommend that ITU-Telecom organization makes sure to preserve a possibility of choice also in case of free services, that are offered by Host Country.
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| **Comments by the Secretary-General:** ITU will carefully review free services proposed by the Host Country to assess adequacy of the anticipated quality level.  |

# Overlap with major ITU conferences, assemblies or other events

1. Resolution 11 (Rev. Guadalajara, 2010) instruct the Secretary General “to ensure that the ITU Telecom World event does not overlap with any major ITU conferences or assemblies”.
2. Connect Asia Pacific 2013 Summit has been held the day before ITU Telecom World 2013.
3. We consider positively a good synergy between regional and global events, with caution to avoid the risk to give an excessive regional orientation, to the global event.
4. However, considering that Resolution 11 asks to put the focus on Forum and discussions of regulators, industry leaders and policy-makers, instead of an exhibition, the experience of such proximity, able to favor the presence of such personalities, has to be considered positive.

# Bidding process

1. Resolution 11 (Rev. Guadalajara, 2010) *resolves* 5 declares that “the Union, in its venue selection process for ITU Telecom events, shall ensure: 5.1 an open and transparent bidding process, based on the model host-country agreement (…) with objective criteria – including financial viability; (…)”.
2. For the following reasons, we believe that, in the spirit of Resolution 11, in the said process financial viability has to be balanced with other equally important considerations.
3. As already highlighted in the report issued for WT12, circular letters to invite every ITU Member State to be candidate and to submit offers applying for hosting the annual event have been duly sent, but actually a very limited number of Member States would be interested in hosting the event and would be capable to sustain the financial burden; thus, we acknowledge that a correct, open and standardized bidding process is in place, there are few candidates, mainly due to the not yet concluded market crisis and to the strong competition with other private organizations of similar events.

## Make Event affordable for more aspiring Host Countries

1. For the same causes, there was no full implementation of some other “resolves” of Resolution 11, such as the rotation of regional areas (*resolves* 5.5); although this implementation is not feasible in this particular historical moment, it has to be stated that as long as a significant part of costs is borne by the Host Country, there will be no way out from this situation.

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| **Suggestion no. 7**1. We therefore suggest to study scenarios for aspiring Host Countries to get fully leverage from investment they could make for hosting ITU Telecom World event, for a better compliance with Resolution 11 (Guadalajara 2010).
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| **Comments by the Secretary-General:** Host countries have systematically expressed satisfaction for hosting ITU Telecom events. Efforts will be continued in increasing the positive impact of hosting ITU Telecom events. |

1. We acknowledge that no feasibility has been found for implementing *resolves* 5.6 of Resolution 11 (Rev. Guadalajara, 2010) about a “fixed venue” for three consecutive events. As already clarified in the comments of Management to our recommendation on that point in last year report, no “fixed venue” of the event is realistically advisable at the moment.

# Participation of developing countries to the events

1. Resolution 11 (Rev. Guadalajara, 2010) highlights in several sections the need to enhance the participation of developing Countries, in particular with reference to *considering* “a) (...) promoting the extension of the benefits of the new telecommunication technologies to all the world's inhabitants (...)” and in *considering* “d) (...) possibilities of applying these achievements for the benefit of all Member States and Sector members, particularly the developing countries”.
2. Furthermore, Resolution 11 *instructs the Secretary-General* 3) prescribes that “[Secretary-General] could consider measures that will enable and assist Member States which are capable and willing to do so, particularly developing countries, to host and stage ITU TELECOM events”.
3. Management clearly reported to us that several measures are in favour of the objectives stated in the aforementioned Resolution 11, such as a programme of fellowship, discounts, help in building national pavilions, creating networking meeting etc.

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| **Suggestion no. 8**1. We acknowledge the effort of the Management in facilitating the participation of developing Countries, also as follow-up of our recommendations and suggestions in last year’s report (see Sugg. 7/2012), and we suggest to continue implementing measures to assist the developing Countries, possibly increasing the number of initiatives dedicated to them.
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| **Comments by the Secretary-General:** Efforts will be continued in facilitating the participation of developing countries as well as in implementing measures to assist these countries, while considering the possibility of increasing the number of initiatives and financial resources for such purpose within the financial limitations of the Union. |

# *KPIs and Post Event Survey*

1. Results of KPIs analysis are basically aimed at helping Management in its strategic decisions, and can be also partially useful in strengthening some incomplete evidence we obtained about the event.
2. On 28 November a “Post event online Survey” was also carried out about some aspect of ITU Telecom World 2013, using a specialized software.

1. The statistics for the percentage of registered attendees who completed the survey form (7%), or even opened it (18%) are low. Nevertheless, with the obtained information some observations are possible.
2. From the KPIs documentation we received a confirmation that participants to the Forum coming from Asia & Pacific Area were almost half of the total. More than 80% of the attendance to the Exhibition was coming from the same Area.
3. This fact, added to the considerations we made in paragraph 85, shows that Telecom World (despite the name) could be endangered to become hardly discernible from a regional event.
4. As already mentioned in paragraph 53, a good mix to ensure easier access and acceptable financial result was gained; nevertheless, a relevant part of participants who responded to the Survey declared that fees and prices still have influenced negatively the possibility of higher attendance.

## Gender distribution

1. On a gender point of view, participation to the Forum sessions was heavily unbalanced in favour of the male population (82%).

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| **Suggestion no. 9**1. Although participation to the Forum cannot be conditioned on a gender basis, we suggest to tackle the issue and study a way to correct this unbalance.
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**Comments by the Secretary-General:**

Efforts will be continued in improving the gender balance amongst participants.

## ITU - Telecom World identity

1. Results of the Survey show that Forum has been better appreciated than the exhibition. About the latter, it was noted the “lack of diversity, low attendance and little focus on technology”. The most relevant reason for attending the event was, for the respondents to the survey, the “networking”, but the appreciation for interactive sessions is scarce.
2. We consider this an indication of a possible weakening of the identity of ITU – Telecom World Event, that in perspective could affect its role and importance in the Telecommunication Sector.
3. We believe that Management has to be ready for a critical rethinking of the event and of the proportion of its components, to preserve or to change the identity itself of the Event.

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| **Suggestion no. 10**1. Since such decisions are in the scope and at the attention of the Plenipotentiary Conference, we suggest that the Management presents a study on that matter to assist the Plenipotentiary Conference in arriving at good decisions.
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| **Comments by the Secretary-General:** The transformation of ITU Telecom initiated following the PP-10 has proven successful as confirmed by financial results and various surveys. Efforts will be continued in refining the value proposition to regain preeminence. |

# Annexes

1. The three following Annexes are part of our report on ITU-Telecom World 2013.
2. We presented a Table of compliance with Resolution 11 (Rev. Guadalajara, 2010) to give an useful summary also from that point of view for the decisions of Plenipotentiary Conference (Annex 1).
3. We carried out the follow-up of the recommendations and suggestions presented in our previous report on ITU Telecom World 2012 (Annex II).

# ANNEX I - Table of Compliance with Resolution 11 (Rev. Guadalajara, 2010)

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|  | ***Text of Resolution*** | ***Evaluated compliance*** | ***Comments by ITU Management***  |
| ***Resolves 1*** |  *...that the Union should, in collaboration with its Member States and its Sector Members, organize ITU TELECOM events related to issues of major importance in the current telecommunication/ICT environment and addressing market trends, technological development and regulatory issues, among others;* |  *COMPLIANCE* | *Due to the significant difference between the initial event budget and the forecasted event results, the ITU Telecom World 2013 budget has been revised more than one month prior to the commencement of the event.* |
| ***Resolves 2*** | *...the Secretary-General is fully accountable for ITU Telecom World activities (including planning, organization and finance)* | *COMPLIANCE* |  |
| ***Resolves 3*** | *...that ITU TELECOM events should be organized on a predictable and regular basis, preferably at the same time each year, taking due account of the need to ensure that the expectations of all participating stakeholders in such events are met, and, in addition, to ensure that they do not overlap with any major ITU conferences or assemblies;* | *COMPLIANCE* |  |
| ***Resolves 4*** | *...that each ITU TELECOM event shall be financially viable and shall have no negative impact on the ITU budget on the basis of the existing cost-allocation system as determined by the Council;* | *COMPLIANCE*  |  |
| ***Resolves 5******5.1*** | *...that the Union, in its venue selection process for ITU TELECOM events, shall ensure:**an open and transparent bidding process, based on the model host-country agreement as approved by the Council, in consultation with Member States, except for the ITU TELECOM events in 2011 and 2012, with objective criteria – including financial viability* | *PARTIAL COMPLIANCE* *(see paragraphs 86-88)* |  |
| ***5.2*** | *that preliminary market and feasibility studies are conducted, including consultations with interested participants from all regions;* | *PARTIAL COMPLIANCE**(see paragraphs 93-95)* |  |
| ***5.3*** | *accessibility and affordability for participants;* | *PARTIAL COMPLIANCE**(see paragraphs 52 and 102)* |  |
| ***5.4*** | *the generation of positive revenues from ITU TELECOM events* | *COMPLIANCE* |  |
| ***5.5*** | *that selection of venues for ITU TELECOM events is based on the principle of rotation between regions, and between Member States within regions to the extent possible, alternating yearly with a fixed event;* | *PARTIAL COMPLIANCE**(see paragraphs 89-90)* |  |
| ***5.6*** | *that fixed venues are negotiated for three consecutive events, after which a new call for bids will be conducted for the next three fixed events;* | *NO COMPLIANCE**(see paragraph 92)* |  |
| ***Resolves 6*** | *that the audit of ITU TELECOM accounts shall be carried out by the External Auditor of the Union;* | *COMPLIANCE* |  |
| ***Resolves 7*** | *...that, once all expenses have been recovered, a significant part of any generated positive revenues over expenses derived from ITU TELECOM activities shall be transferred to the ICT Development Fund under the ITU Telecommunication Development Bureau, for specific telecommunication development projects, primarily in the least developed countries, small island developing states, landlocked developing countries and countries with economies in transition;* | *COMPLIANCE* |  |

# ANNEX II - Follow-up of observations presented in previous report

**Recommendations**

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|  | **Recommendation raisedby External Auditors** **(Corte dei conti)** | **Comments received from Secretary-General at the time of the issuance of the report** | **Status asreported by ITU Management****(23 May 2014)**  | **Status on actions taken** **by Management as evaluated by External Auditors** **(Corte dei conti)** |
| **Rec. 1****2012** | The Resolution 11 (Rev. Guadalajara, 2010) *resolves 2* prescribes that “the Secretary-General is fully accountable for ITU Telecom World activities (including planning, organization and finance)” and being the budget and its comparison with actual cost, a fundamental tool, not only for orienting policies and for a clear accountability but also for helping the Secretary-General to fulfill its duties, we thus recommend that a revision of the budget should be carried out when Management is aware of significant changes between budget estimates and actual results, not later than one month before the opening of the event. | The ITU Telecom event budget would be revised no later than one month prior to the event opening when the Management foresees significant variation between the existing budget and the prevailing results. | Due to the significant difference between the initial event budget and the forecasted event results, the ITU Telecom World 2013 budget has been revised more than one month prior to the commencement of the event. | Implemented |

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|  | **Recommendation raisedby External Auditors** **(Corte dei conti)** | **Comments received from Secretary-General at the time of the issuance of the report** | **Status asreported by ITU Management (23 May 2014)**  | **Status on actions taken** **by Management as evaluated by External Auditors****(Corte dei conti)** |
| **Rec. 2****2012** | We recommend to evaluate always the cost-effectiveness of keeping services insourced and, when the decision of outsourcing a service is taken, again we recommend to arrive to such decision with sufficient evidence, for instance after having carried out a comprehensive cost-benefit analysis. | The commercial nature of ITU Telecom events impose more stringent technical and functional requirements that are best served by commercial providers. The selection of such providers is subject to ITU procurement rules and regulations. ITU Telecom will continue to explore ways of creating synergies between its activities and other ITU activities, including the provision of selected services by ITU departments. | ITU Telecom is generally satisfied with the service provided by the IS Department. However, the limitations of the in-house system created major constraints that limited ITU Telecom’s operational flexibility and affected the overall customer experience. |  Implemented |

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|  | **Recommendation raisedby External Auditors** **(Corte dei conti)** | **Comments received from Secretary-General at the time of the issuance of the report** | **Status asreported by ITU Management (23 May 2014)**  | **Status on actions taken** **by Management as evaluated by External Auditors** **(Corte dei conti)** |
| **Rec. 3****2012** | Although we fully understand the necessity for ITU to have this cost-recovery applied in ITU Telecom World 2012, due to the relevant impact of the cost-recovery on the final result of the event, we have found no sufficient evidence on the cost-accounting process that implements such determination of the value of the cost recovery. Therefore we recommend that Management better disclose, in the decision process of the coming years, all the relevant elements, that are essential in the correct determination of this value.  | A study shall be conducted to identify, as of 2016, in a coherent manner, the basis in determining the value of cost recovery that will be chargeable to an ITU Telecom event. The amounts for 2014 and 2015 have already been determined in the ITU budget for that period. | The recommendation has been fully noted and will be the basis of the study to be conducted in determining the applicable amount as of the 2016 budgetary period. | Ongoing |

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|  | **Recommendation raisedby External Auditors** **(Corte dei conti)** | **Comments received from Secretary-General at the time of the issuance of the report** | **Status asreported by ITU Management (23 May 2014)**  | **Status on actions taken** **by Management as evaluated by External Auditors** **(Corte dei conti)** |
| **Rec. 4****2012** | However, Resolution 11 (Rev. Guadalajara, 2010) *resolves 5.6* indicated “that fixed venues are negotiated for three consecutive events, after which a new call for bids will be conducted for the next three fixed events”. Consequently, although we understand the difficulties expressed by the Management and the fact that this is the first year of implementation of Resolution 11, we recommend to start organizing in the next years calls for bids, in order to fulfill the requirements of the Resolution. | Through a Circular Letter distributed to all Member States, ITU invites countries interested in hosting ITU Telecom events to submit offers. To date, most of the proposals have been limited to the organization of a single event. | Some provisions of Resolution 11 have not been feasible. The Secretariat will work with Member States to suggest amendments to the Resolution to ensure it takes into account changes to the business and economic environment and continues to adequately govern the functioning of ITU Telecom.  | Ongoing |

**Suggestions**

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|  | **Recommendation raisedby External Auditors** **(Corte dei conti)** | **Comments received from Secretary-General at the time of the issuance of the report** | **Status asreported by ITU Management (23 May 2014)**  | **Status on actions taken** **by Management as evaluated by External Auditors** **(Corte dei conti)** |
| **Sugg. 1****2012** | We are aware that Management is conscious of the relevance of the timely signature, therefore, we suggest that every effort should be made to ensure that the Host-Country Agreement is defined, and possibly signed, before the approval of the budget.  | For the next event, ITU Telecom World 2013, the Host Country Agreement has been signed prior to the budget approval. Every effort would be made to ensure that the Host Country Agreement is defined, and possibly signed before the approval of the budget. | Implemented in ITU Telecom World 2013.  | Implemented |

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|  | **Recommendation raisedby External Auditors** **(Corte dei conti)** | **Comments received from Secretary-General at the time of the issuance of the report** | **Status asreported by ITU Management (23 May 2014)**  | **Status on actions taken** **by Management as evaluated by External Auditors****(Corte dei conti)** |
| **Sugg. 2****2012** | Although such document provides several elements of feedback, we observed that there is no direct link between KPIs and general objectives as stated in Resolution 11. Therefore we suggest for the next event 2013 to adopt, prior to the start of the event, accurate and robust KPIs linked with generally agreed, reliable and measurable objectives, having as a reference the Resolution 11.  | For future ITU Telecom events additional KPIs will be defined to reflect provisions of the Resolution 11. | A framework has been defined to collect, analyze and apply intelligence gathered from Telecom events. The measurement framework combines business objectives, attendee intelligence, performance and business value creation, operational efficiency and vanity metrics. | Ongoing |

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|  | **Recommendation raisedby External Auditors** **(Corte dei conti)** | **Comments received from Secretary-General at the time of the issuance of the report** | **Status asreported by ITU Management (23 May 2014)**  | **Status on actions taken** **by Management as evaluated by External Auditors****(Corte dei conti)** |
| **Sugg. 3****2012** | We are aware that Management considers flexibility an important driver for attracting participants, however we suggest to monitor in the coming years the result of this policy, assessing its convenience and evaluating its degree of impact on sales revenue, not only to arrive at the decision whether to maintain it or not, but also to reach a more accurate forecast of the revenues in the budget. | The flexibility provided by the discount policy has enabled ITU Telecom to engage with and secure the participation of key industry players. ITU Telecom will continue to monitor the policy to ensure it effectively serves its purpose and reflects developments in our rapidly changing ecosystem. Discounts are only one of several elements partners/clients consider before deciding to participate. There is no direct correlation between revenues and discount policy. | ITU Telecom continuously monitors, evaluates and refines its discount policy to achieve its objectives. Discounts are important elements used to encourage early commitments, secure participation of key partners and attract new partners and customers. They have proven to be useful elements in outreach and promotional campaigns. | Ongoing |

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|  | **Recommendation raisedby External Auditors** **(Corte dei conti)** | **Comments received from Secretary-General at the time of the issuance of the report** | **Status asreported by ITU Management (23 May 2014)**  | **Status on actions taken** **by Management as evaluated by External Auditors****(Corte dei conti)** |
| **Sugg. 4****2012** | Although the actual revenue of the turnkey amount weights only around 1,8% on the total revenues, we consider it as an important service provided to participants, and therefore we suggest to insert this item in a specific dedicated budget line for the next ITU Telecom World events.  | A specific budget for Turnkey Solutions had already been existent in past ITU Telecom event budgets i.e., until ITU Telecom World 2009. However, since it has not been foreseen to sell Turnkey Solutions in ITU Telecom World 2011 and ITU Telecom World 2012, budgetary provisions for this activity were not made. Nevertheless, since this product will be featured in ITU Telecom World 2013, Turnkey Solutions are incorporated in this event’s budget. | Implemented in ITU Telecom World 2013. | Implemented |

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|  | **Recommendation raisedby External Auditors** **(Corte dei conti)** | **Comments received from Secretary-General at the time of the issuance of the report** | **Status asreported by ITU Management (23 May 2014)**  | **Status on actions taken** **by Management as evaluated by External Auditors****(Corte dei conti)** |
| **Sugg. 5****2012** | We understood from the Management that barters are important for ITU Telecom World 2012 not only to attract companies and investors but also to acquire critical services and products. We noticed that the valuation of such services, in particular, the calculation of benefits to ITU are mostly based on quoted market value as expressed in rate cards. However, when such information is not available, estimates are sometimes made. Therefore, we suggest that the information on the benefits to ITU as well as the services provided by ITU be more clearly presented in a measurable manner, in order to better show if a barter is more or less favorable to ITU. | Barter agreements are important to attract companies/investors and cost-effectively acquire critical services/products. All barters opportunities are rigorously evaluated and information on benefits to ITU as well as services provided by ITU is readily available. | ITU Telecom continuously refines its strategy to respond to its rapidly changing marketplace. Barters will continue to serve as a cost-effective way to achieve some of ITU Telecom’s goals. ITU Telecom will continue to improve the documentation of barters to more accurately capture their complex nature. | Ongoing |

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|  | **Recommendation raisedby External Auditors** **(Corte dei conti)** | **Comments received from Secretary-General at the time of the issuance of the report** | **Status asreported by ITU Management** **(23 May 2014)**  | **Status on actions taken** **by Management as evaluated by External Auditors** **(Corte dei conti)** |
| **Sugg.6****2012** | In any case, considering that ITU Telecom World events could suffer from close or overlapping events and exhibitions, including ITU events, we suggest to avoid organizing in the future ITU Telecom World events when similar ones are eventually foreseen at the same time and, more so, in the same location. | ITU Telecom will continue to carefully consider the opportunities to create greater value for customers when co-locating with other events. ITU Telecom is developing business models for an “ITU Telecom as a platform” scenario that enables us to leverage ITU’s brand and convening power to deliver the audience, create the atmosphere/experience, identify key debate issues while selected partners organize synergistic events. We are currently experiencing elements of this model through the offering for co-hosted and sponsored sessions. | ITU Telecom negotiated collaboration with organizations that curate session(s) during Telecom events. This has proven very useful to allow ITU to increase its relevance, enhance the value it offers to its participants, and reach new audiences and geographies.  | Implemented |
|  | **Recommendation raisedby External Auditors** **(Corte dei conti)** | **Comments received from Secretary-General at the time of the issuance of the report** | **Status asreported by ITU Management****(23 May 2014)**  | **Status on actions taken** **by Management as evaluated by External Auditors** **(Corte dei conti)** |
| **Sugg.7****2012** | We acknowledge the effort of the Management in facilitating the participation of developing countries, and we suggest that Management continues its efforts in implementing measures to assist the developing countries, possibly increasing the number of initiatives and the financial resources dedicated to them. | Efforts will be continued in facilitating the participation of developing countries as well as in implementing measures to assist these countries, while considering the possibility of increasing the number of initiatives and financial resources for such purpose within the financial limitations of the Union. | ITU Telecom is committed to ensuring adequate participation of developing countries in its events: (i) Financial support is provided to fund fellowships; (ii) a participation package that includes a number of complementary passes is offered to each country; (iii) a new workshop to help countries attract investors has been developed and delivered for the first time in ITU Telecom World 2013 (Bangkok); (iv) a new program aimed at increasing showfloor participation has been developed to benefit SIDS countries; and (v) the curation of the program purposely include issues more directly relevant to developing countries  | Implemented |