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| **Council 2016 Geneva, 25 May – 2 June 2016** |  |
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| **Agenda item: ADM 8** | **Document C16/41-E** |
| **19 May 2016** |
| **Original: English** |
| **Report by the Secretary-General** | |
| EXTERNAL AUDIT OF THE UNION'S ACCOUNTS on ITU TELECOM WORLD 2015 | |

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| **Summary**  The External Auditor's report covers the accounts for the ITU TELECOM World 2015 exhibition.  **Action required**  The Council is invited to examine the External Auditor's report on the 2015 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

REPORT OF THE EXTERNAL AUDITOR  
  
Audit of ITU TELECOM WORLD 2015

06 May 2016

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# SUMMARY OF THE AUDIT

1. According to Resolution 11 (Busan 2014), 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 2015 event, organized in Budapest (12-15 October 2015). This review has not to be considered as an audit of the financial statements drawn up under International Public Sector Accounting Standards (IPSAS), leading to 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. Our audit of ITU Telecom World 2015 ascertained that the accounts submitted to us were accurate and that entries relating to the event had been correctly posted.
4. The event was organized and managed under the rule of Resolution 11 (Busan 2014), which, at resolves 4 provides 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, the result at 31 December 2015 was positive, amounting to 255,523.73 CHF, as shown in paragraph 22, and higher than the budget forecast.

## 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 laid down in Resolution 11 (see above paragraph 4) and in the TELECOM Financial Rules and Procedures, which entered into force on 13 March 1998 and have been subsequently modified.
2. Resolution 11 in Busan 2014 version includes instructions for the Secretary-General that have also been duly considered in this audit.
3. This report refers to the accounts of the ITU Telecom World 2015, for the period from 1 January 2015 to 31 December 2015. These accounts reflect the expenses and revenue for this event and provide additional information for the ITU Council. They are not to be considered as financial statements drawn up under IPSAS, although ITU has been applying the IPSAS standards since 1 January 2010.
4. As also stated above in paragraph 2, this audit report is not accompanied by an audit opinion. An audit opinion is only to be issued in respect of the consolidated financial statements of the Union.
5. 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.
6. We planned the working activities according to our audit strategy, so as to obtain a reasonable assurance that there is no material misstatement.
7. We also carried out a field audit on site from 11 to 15 October 2015, verifying the actual realizations, the ongoing activities and the cash flow.
8. During our field visit to Budapest, we 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.
9. In order to evaluate the compliance with rules, resolutions, recommendations and best practices, we also collected ticket sales data, participants’ data, access data and direct evidence, comparing them with the data provided in the analysis presented by ITU Telecom Management.
10. To carry out our evaluation we considered not only financial results, but also appropriate Key Performance Indicators (KPIs).
11. We verified that the ITU Telecom World 2015 profit and loss sheet as at 31 December 2015 corresponded with the accounts submitted to us, testing on a sample basis that the entries relating to the event had been correctly assigned. The audit covered book-keeping, revenue and expenses and related results.
12. 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 2015 accounts.
13. On 29 April 2016, 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.
14. We were informed that no claim and proceedings had been formally brought against the Union within the framework of ITU Telecom World 2015; no case of fraud or presumed fraud was reported to us.

## Acknowledgements

1. We would like to express our gratitude to all the ITU Staff that openly collaborated with us, in Geneva and in Budapest, and provided us with the relevant information and documents, as requested.

# 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 2015 were closed on 31 December 2015.

# GENERAL FRAMEWORK AND KEY FIGURES

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

|  |  |  |  |
| --- | --- | --- | --- |
| WT15 | Budget (10/4/2015) | Actual | Variance actual/original budget (%) |
| Revenue | 8,754,000.00 | 7,286,595.77 | -16.76 |
| Expenses | 8,702,500.00 | 7,031,072.04 | -19.21 |
| *Direct expenses* | *4,202,500.00* | *2,995,371.11* | -28.72 |
| *Core expenses* | *4,500,000.00* | *4,035,700.93* | -10.32 |
| **Net result** | **51,500.00** | **255,523.73** | 396.16 |

(CHF)

1. We will comment on the difference between actual and original budgeted amounts in following paragraphs. No revised budget was adopted.

## Exhibition Working Capital Fund

1. As laid down in Article 19 par. 4 of the ITU Financial Regulations, any surplus revenue or excess expenses resulting from world or regional exhibitions “shall be transferred to an Exhibition Working Capital Fund”.
2. The positive outcome of ITU Telecom World 2015 resulted in an improved balance of the Exhibition Working Capital Fund that at the end of the financial year stood at 9.2 MCHF.
3. The series for the past 6 years is shown below.

(kCHF)



## Timing of due activities

1. Article 1, Part X, of the TELECOM Handbook of Financial Rules and Procedures 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”. The budget for ITU Telecom World 2015, was approved on 10 April 2015, in compliance with the limit of six months before the opening of the event (12 October 2015).
2. The Host Country Agreement between the Government of Hungary and ITU was signed on 9 April 2015. This permitted to have all the necessary figures at the time of the preparation and approval of the budget. Therefore, no revised budget was needed.
3. On the same day, an “Implementation Agreement” was signed, wherein the parties agreed on the technical details and the level of services of the Host Country obligations related to the principal Agreement.

## Reporting on the event: linking general objectives of Resolution 11 with KPIs and results.

1. Resolution 11 (Rev. Busan, 2014 resolves 2) states “that the Secretary-General is fully accountable for ITU Telecom World activities (including planning, organization and finance)”.
2. We have analysed the various parts of the process and, at the reporting stage, we have evaluated relevant reports which provide the Secretary-General with feedback of the results, with links and comparison between KPIs and results, in the framework of the general objectives as stated in Resolution 11, as well as cost-effectiveness of the event.
3. We acquired from ITU Telecom management the “Event Analysis” that has been carried out using internal resources and duly presented and explained to us on 8 April 2016.
4. We acknowledge the efforts in refining the KPIs and using them to guide the design and staging of ITU Telecom World events.

## Bidding process

1. Resolution 11 (Busan, 2014), *resolves 5*, declares that “the Union, in its venue selection process for ITU Telecom events, shall ensure an open and transparent bidding process.
2. An official ITU Circular letter inviting countries to bid to host ITU Telecom World 2015 was sent on 31 March 2014 to 193 ITU Member States. The deadline for submission of bids was 1 August 2014, but one month extension was granted.
3. We were informed that there had been discussions with several countries that expressed interest in hosting the event but only one formal bid was finally received.

## Comparison of budget and actual results

1. As already stated, no revision of the budget was adopted. For different reasons, however, we noted some significant difference between budgeted and actual figure, both in the breakdown and in the total amount. Some examples will be elaborated below under revenue and expenses.

# REVENUE

## General framework

1. Revenue was lower than budgeted, and in general, also lower than revenue from previous events.
2. With reference to the composition of the revenue, the tendency in the past 5 years was towards an increasing role of the Host Country (HC); the share of its contribution in comparison with the total revenue increased from 3%, to 23%, to 35%, to 41%, to 40% during the events in 2011, 2012, 2013, 2014 and 2015, respectively. On the other hand, the amount of HC’s contribution has declined over the past three years: 3,954 kCHF, 3,914 kCHF and 2,892 kCHF in 2013, 2014 and 2015, respectively.

## Sponsors

1. The revenue from sponsorship, excluding the Host Country contribution, targeted at 1.971 kCHF, reached the value of 883 kCHF, only half of the amount expected. The decrease is very noticeable compared with the previous year’s values and with the descending trend of last 5 years, from the 2,654 kCHF in 2011, 2,600 kCHF in 2012, 2,180 kCHF in 2013, to 1,121 kCHF in 2014 and 883 kCHF.
2. However, there was a considerable turnover of financial contributors and sponsors, with a good number of first time contributors (31).

### Leadership Programme

1. No actual revenue (against 600 kCHF budgeted) from Leadership Programme was recorded. Four different items were available for sponsorship (namely, the Programme in itself, the dinner, the space with refreshments and the lunch).
2. The reasons behind such a scarce interest in sponsorship of Leadership Programme has to be investigated by the Management in order to clarify whether this was generated by a temporary lack of financial resources from sponsors or is due to a lack of attractiveness of this specific kinds of sponsorship.

Considering that some activities, such as Leadership Programme sponsorships including lunch, dinners and LeaderSpace did not attract the interest of any sponsor, we suggest that a specific analysis be made by the Management on the reasons behind, reflecting its results in the budget implementation process.

Comments by the Secretary-General:

The cost and associated benefits for these sponsorships for 2016 have already been carefully considered and significant adjustments have been made. Client interest and final outcome will be monitored with a view of further revision, if necessary in the future.

### Passes

1. Revenue from sale of passes was also far from the target. An actual revenue of 186 kCHF for the Forum admission fees was registered, that is roughly 46% of the 401 kCHF budget.
2. This is related in first place to the policy adopted for 2015 in order to significantly reduce the unit cost for a pass, which had no compensation in a significant growth of sales. But the decreasing income from passes is a confirmed trend that amounted to more than 1 Million CHF in 2011 and 2012, to the present 186 kCHF.

Considering the low revenue from passes and the unrewarding result on the number of paying attendees to the event, we suggest that Management undertakes the necessary research and further considers the rate of admission fees.

Comments by the Secretary-General:

The practice of carefully reviewing the rate of admission fees on an event by event basis will be continued, taking into account factors that can influence pricing such as the market, client feedback, host country negotiations, the event location, etc.

1. The analysis on the categories of passes revealed that the “Forum 4 days” pass was sold in 48 units (183 targeted) and “Forum 1 day” pass was sold only in 18 units (target: 60 units). On the contrary, the “Forum plus” pass exceeded the target of 65 units, reaching 81 units (they were 27 in 2014).

### Meeting rooms

1. There is a significant variance between the budget (144 kCHF) and the actuals (45.2 kCHF) for meeting rooms.
2. The reason for this low actual amount lies mainly on the fact that in view of financial difficulties being faced by clients and to avoid additional cost, some meetings were held within their own stands and pavilions.

We suggest that a reasonable budget assumption for meeting rooms be considered in the next budget exercise based on the experience made in 2015.

Comments by the Secretary-General:

The volume of estimated sales for meeting rooms has already been reduced in the 2016 budget forecast.

### Exhibitors

1. The data related to the sale of raw space and turnkey pavilions show positive results in terms of participants, with an increase in number for national pavilions (from 16 to 18) and a better result for the sale of raw space: 1,444 kCHF actual compared to 1,065 kCHF budgeted.
2. Due to the price reduction, the revenue from turnkey solutions decreased from 1,227 kCHF budgeted to 831 kCHF actual (plus 102 kCHF for a penalty for cancellation).
3. However, during our audit we observed an unexpected revenue from co-exhibitors, amounting to 3 kCHF.

In consideration of the above, we suggest to allocate a budget line for co-exhibitors in the next event, if such item is proven to be a recurring revenue.

Comments by the Secretary-General:

An estimated revenue for co-exhibitors fees has been foreseen for the 2016 budget.

## Forum

1. Actual revenue from the Forum (474 kCHF) is lower than budgeted (740,5 kCHF), and represents only 42% of the Forum revenue in 2014 (1.125 MCHF).
2. The composition of Forum revenue shows a 60% from sponsorship and contribution, and 39% from admission fees.
3. The most noticeable difference is that the “Keynote & High-level debate/Big Conversation” sponsorship of 160 kCHF was not sold. Other sponsorship items of the Forum, however, were sold at amounts even higher than expected.
4. We understood that commencement of sales of sponsorships was delayed, due to the transition period following the change in the management of the ITU Telecom Secretariat. We will monitor the effectiveness of the efforts to avoid such occurrences, in the future.

### Celebration activities

1. Revenue from Celebration activities was significantly lower than budgeted.
2. The actual amount earned from Opening Ceremony sponsorship was only half of the amount budgeted (100 kCHF instead of 200 kCHF).
3. No revenue from the next year’s Host Country (120 kCHF budgeted) was received. This is due to the fact that the venue for ITU Telecom World 2016 was officially announced only after the 2015 event.

We suggestto make every effort to announce the venue of the event in a timely manner to be able to commence its promotion and avoid the loss of similar good opportunities for raising funds. If the subsequent event’s venue is not yet confirmed at the time of budget preparation, no allocation of revenue should be envisaged which is only earmarked for the next host country.

Comments by the Secretary-General:

A process has been launched to identify the host country for 2017 much earlier than in previous years in order to ensure sufficient time to plan promotions at the 2016 event. This advance planning will continue for future events.

### Barters value

1. Value of barters was recorded for an amount of 890,718.73 CHF. Most of the barters are in different currencies. The exchange rate used is the UN-rate of the day of signature of the contract.
2. We noted that many services were offered by the counterpart over a period of several months, during which the change rate varied, as shown below, in the case of HUF vs CHF:

**Variation of change rate HUF vs CHF**



Although the impact of currency exchange gains or losses may not be material for this event, we recommend to consider the exchange rate at the moment of the delivery of service in accordance with the barter agreement, when significant variations and a wide time range are involved, in order to have a fair representation of the results.

Comments by the Secretary-General:

The currency exchange rate at the time of delivery of service in accordance with barter agreements will be applied from 2016 onward. The average of the currency exchange rates will be used should one type of service be delivered at different times.

We suggest that a better practice be adopted using formulas in the spreadsheet and that the exact dates of delivery of each service per barter agreement be indicated. Moreover, the conversion of the amount to CHF for each delivery of service should also be calculated by using the appropriate formulas.

Comments by the Secretary-General:

Formulas will be used in the spreadsheet for barters from 2016 onward. The date of delivery of each service per barter agreement will be indicated. The conversion of the amount to CHF for each delivery of service will also be made using the appropriate formulas.

### Bartered promotions on social media

1. The services granted by media companies are registered as revenue, and are compensated by ITU through an equivalent value of space and visibility. As indicated in our previous reports, in some cases, the real value of the barter was not precise. In case of lack of performance on either side, no adjustment in the amount of the barter was made.
2. While it could be relatively easy to verify the delivery of service when it consists of a printed page in a newspaper, it is not always possible to check whether other services were actually provided, such as the duration of the display of a banner on a web site. Nevertheless, we noted an effort in specifying and checking the obligations of the Media Partners.
3. We performed a limited sampling on social networks and we got evidence that in some cases, whilst “Regular promotion” was requested, the Partner just posted once on Twitter.

We therefore recommend to indicate in a more detailed way the service to be rendered by the partner as “Regular promotion”, and to check it eventually, for instance including thorough tracking the number of posts and the use of the official hashtag. (Please refer also to Suggestion no. 3/2014).

Comments by the Secretary-General:

Barter Agreements for 2016 and subsequent events, will clearly specify the quantity and volume of services to be provided to ITU. Deliverables will be monitored and tracked.

# EXPENSES

## Cost Recovery

1. A fixed amount of 1.5 MCHF for ITU cost recovery (part of core expense), which represented the salaries and remunerations of staff from other departments providing services to ITU Telecom World 2015, was budgeted as an expense in the budget of the event. As reported in the Operating Report for 2015, the amount of cost recovery (core expenses) was previously decided by the Secretary-General. Following discussions and updated evaluations, a study was conducted on the fair amount of such cost recovery. The outcome of the study on cost recovery was sent for comments to the ITU Telecom World staff in October 2014, as we noted in our 2015 Report.
2. In accordance with the current working methodology, the ITU Telecom Secretariat costs are allocated to each ITU Telecom event. The actual cost of ITU Telecom Secretariat (core expense) which was charged to ITU Telecom World 2015 represented 85% of the budget for this line item. These charges were calculated based on the information conveyed by ITU Telecom management on the percentage of time that ITU Telecom staff dedicated to the event during 2014 and 2015 (40% and 60%, respectively).

## Direct expenses

1. Direct expenses were lower than the budgeted amount. High variance is registered in direct expenses for FRMD that covered only 26% of the budget. Lower credit card commissions and bank fees were charged. On the other hand, an unpredictable loss due to currency change fluctuations was registered. Travel on duty for administrative staff amounted to 208 kCHF instead of 411.5 kCHF budgeted. Regarding expenses for showcases and turnkey: the forecast was 527 kCHF, while actuals were almost 300 kCHF.

## OTHER ITEMS

## Presence at Forum sessions

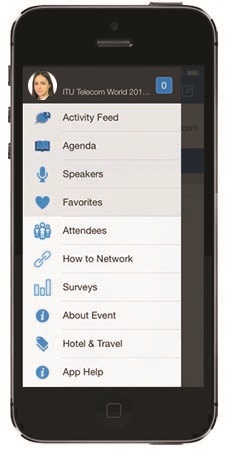
1. The Forum financial result (revenue less expenses) was positive (419 kCHF, 624.5 kCHF expected) but with a reduction in almost every figure. Revenues amounted to 474 kCHF (740.5 budgeted).
2. The revenue was lower than budgeted for the forum admission fees (186 kCHF actuals, 354.5 kCHF budgeted). On the other hand, better result was achieved for panel sponsorship and other sessions.
3. The survey showed a wide range of presence rate among sessions, and some sessions were almost deserted. This was corroborated by our tests. We are aware that Management is considering the reasons of these situations in order to find appropriate solutions.

## Media, communications and marketing:

1. The result for this item (-243 kCHF) was better than predicted (-349 kCHF). There are 30 kCHF of predicted (but not realized) revenue from Media services. On expenses, an amount of 79 kCHF was foreseen (but only 9 kCHF were incurred).
2. Less accredited and attending media, (142 accredited media from 21 countries) was compensated by more qualified (”top tier”) media, with a result of more editorials in 2015 referring to WT 2015.

## App for smartphone

1. An amount of 20 kCHF was budgeted for a mobile application for smartphones, both in revenues from sponsorship and in expenses . No actual revenue was realized, and only 12,4 kCHF of expenses were actually incurred. The app was created, branded for ITU and customized for the event with the name “ITU World”; after months, it is still in operation and working on smartphones. It is also advertising for the 2016 event, through a permanent link to @ITU twitter account.
2. The App is endowed with adequate number of functions, as shown below:



1. We tested as final users the app, checking various function (messaging, networking, agenda, etc.), and all the functionalities proved to work satisfactorily.
2. We noted that the sponsorship opportunities of the app, although references to hotels and touristic side activities were included in the menu, had not been taken. We also noted that the contractual term with the supplier was for three years, and that references to the next event were already in the app.



Considering the good opportunities of such platform, we suggest to enhance the effort in selling the sponsorship for Mobile app.

Comments by the Secretary-General:

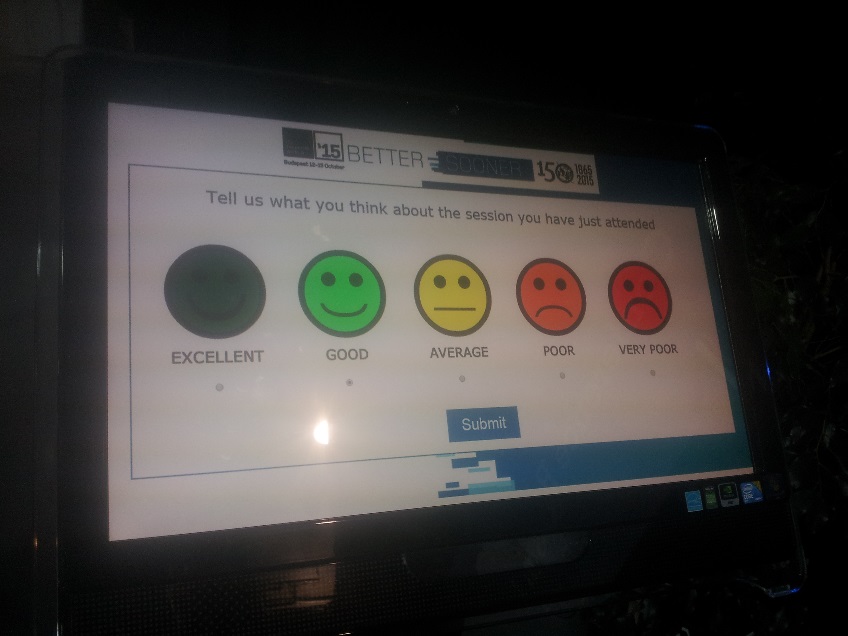
The proactive promotion of the benefits relating to the Mobile app sponsorship will continue. The data indicates that with successive years of use more participants are engaging with the Mobile app and it is therefore expected that it will become a more attractive item for potential sponsors to consider.

# KPIs AND POST-EVENT SURVEY

1. As it was the case in the past year’s Event, some demographic detections was realized during the event; other detections, including the customer satisfaction, were completed through a post-event survey.

### Checks on satisfaction

1. A simple and smart way for checking the satisfaction of participants at each Forum session was in use, referred in Event Analysis as “kiosk survey”, designed as shown:



1. An overall evaluation of the session was made by each participant by pressing one of the smiley buttons of the evaluation screen. A number of 1664 evaluations were collected through this fast and easy tool. We observed, however, that the screens were almost unattended. If we consider that the total attendance to the Forum Sessions (excluding therefore the opening and closing ceremonies) reached 5,000 units, this can be considered a low rate of feedback.

We suggest to enhance the use of the tool for the kiosk survey for collecting the ratings and to find a way of encouraging forum participants to use the tool in providing a feedback/evaluation of the forum sessions.

Comments by the Secretary-General:

Efforts will be continued in encouraging forum delegates to participate in the kiosk survey.

### Encouraging participation of young people.

1. We noted that no data on the age of participants in each activity (related both to Forum and to Exhibition) was available, except for the Young Innovators programme. We already noted in the last year Report that it has to be considered strategic to give more attention to the age of participants, in order to preserve a future for the event.

With the aim of underlining the importance of the age issue, we suggest to implement a demographic survey that solicits the age of participants.

Comments by the Secretary-General:

A plan has been implemented to gather age-related data during 2015. Unfortunately due to problems that were identified but too late to correct, the data was not reliable. All efforts will be made to rectify this for 2016 in order to present age-related data in the post event report.

### Focus on SME

1. The declared focus of this edition was on Small and Medium Enterprises (SME), with a target to have a 70% of exhibitors among SMEs. The actual result of this indicator was 40%.

Considering the result of the related KPI, and the new focus of the event to include SMEs, we suggest to enhance efforts to attract a wider participation of SMEs.

Comments by the Secretary-General:

Among other initiatives, it is hoped that the Award Programme, launched in 2015 and being further developed for 2016 as a strategic pillar of the event (along with forum, exhibition and networking) will play a key role in attracting participation of SMEs with independent stands and on National Pavilions.

## Global dimension

1. Exhibitors from 54 countries participated in the event (46 countries in 2014). Also the geographic distribution of attendees shows an improvement, with a higher number of countries of provenience (128 countries, whereas in 2014 they were 111).
2. In view of a complete fulfilment of the global dimension, the rotation of the venues should be enhanced. This issue remains unsolved. A full rotation among Regions is to be considered to ensure financial viability of the event.

# FOLLOW-UP TO OUR RECOMMENDATIONS AND SUGGESTIONS

1. We followed up the implementation of the recommendations and suggestions issued in our previous reports. Annex 1 shows the follow-up tables, which include the comments received from ITU Management and the current status of implementation.
2. The recommendations that are evaluated as “closed” this year will not be included again in next year’s Audit Report, unless they need an annual follow-up.

## ANNEX I – Follow-up to Observations issued in Previous Reports

## Recommendations

|  | **Recommendation made by External Auditor**  **(Corte dei conti)** | **Comments received from the Secretary-General at the time of issuance of the External Auditor’s Report** | **Status as reported by ITU Management** | **Status on actions taken by Management as evaluated by Italian Corte dei conti** |
| --- | --- | --- | --- | --- |
| **Rec. 4/2013** | **Quality of services offered by HC**  We 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. | ITU will carefully review free services proposed by the Host Country to assess adequacy of the anticipated quality level. | With the exception of exclusive services provided by the event Venue (that cannot be waived) and which are listed in the Host Country Agreement, ITU ensures that all other services provided directly by the Host Country, or through its contractors, are not promoted as exclusive and hence event participants are free to choose any provider of their choice. | Closed |
| **Rec. 1/2014** | **Cost Recovery**    We have been informed that the outcome of the study on cost recovery is currently being discussed. Once finalized, we recommend Management to use the outcome of the study as a basis in establishing the amount of cost recovery charges. | A detailed study on cost recovery had been conducted by the Financial Resources Management Department, the outcome of which has been shared with ITU Telecom Secretariat and is currently being discussed. The outcome of the study on cost recovery shall be used as a basis in determining the chargeable amount of cost recovery. | The outcome of the study on cost recovery has been examined by ITU Telecom Secretariat and will be updated every year as the basis of cost recovery charges. | Closed |
| **Rec. 2/2014** | **Same breakdown in budgeting and in reporting**  We acknowledge the efforts made by Management in preparing a reliable budget and recommend Management to strictly follow the same budget breakdown in result reporting. | Efforts shall be made towards a closer coordination between the ITU Telecom Secretariat and FRMD to address this issue. | Improved coordination between ITU Telecom Secretariat and FRMD has resolved this issue. | Closed |
| **Rec. 3/2014** | **Decreasing numbers**  We recommend Management to continue its effort in consolidating the exhibitors’ presence and participants’ number. | As of 2015, ITU Telecom will enter a transitional period to present itself as an international platform with a focus on ICT entrepreneurship and SME support initiatives. With such re-positioning, there will be an opportunity to engage a new wider audience, while still fulfilling the mandate for Member States. Additional focus and relevance is being given to the exhibition in order to significantly increase the number of participants. KPIs are being established to monitor progress. | In addition to the new focus to engage SMEs in all aspects of the event, product pricing for 2015 was reduced across all product lines. Results for 2015 show a significant 41% increase in exhibitor numbers, with 40% representing an SME.  ITU will continue its efforts to maintain and grow participation numbers. | Closed.  We recognize the efforts made by the Management and will monitor this aspect in the context of our future audits. |

## Suggestions

|  | **Suggestion raised by Italian Corte dei conti** | **Comments received from  Secretary-General at the time of the issuance of the report** | **Status as reported by ITU Management** | **Status on actions taken by Management as evaluated by Italian Corte dei conti** |
| --- | --- | --- | --- | --- |
| **Sugg. 1**  **2014** | **Invoices before signature of Agreement**  We suggest Management to avoid issuing invoices for Sponsorships before the signature of the Sponsorship Agreement. | Invoices for sponsorships are normally issued only after the signature of sponsorship agreements. In this particular case, the invoice has been specifically requested by the sponsor (Organizing Agent) who later renegotiated the sponsorship fee. The revised amount of sponsorship was paid by the sponsor even without their signing the sponsorship agreement. Nevertheless, efforts shall be made to ensure that invoices are sent only after the signature of sponsorship agreements. | From 2015 onward, invoices are issued based on signed agreements not only for sponsorships but also for space rental, meetings rooms, etc. | Closed |
| **Sugg. 2**  **2014** | **HC Agreement parties**  We suggest Management that Host Country Agreements should involve two parties only, although taking into consideration, case by case, its feasibility. | The appointment of an Organizing Agent by the Host Country for 2014 to directly fulfil a number of its obligations was an arrangement not previously encountered. Careful attention shall be given to this issue specifically regarding arrangements with future Host Countries, and shall be considered within the context of the revised Model Host Country Agreement, as required by Resolution 11 (Busan 2014). For the 2015 event, the Host Country Agreement was recently signed involving two parties only. | A revised Model Host Country Agreement has been prepared for endorsement by Council 2016. It retains the form of a bilateral agreement between ITU and the Government of a Member State. The text clearly describes any third parties engaged by the Government to assist it in delivery of its obligations as Host Country contractors and not as signatories to the HCA. | Closed |
| **Sugg. 3**  **2014** | **Barters value**  We suggest Management to improve the audit trail in a way that, when controlling, they will be able to assess the cost benefit and value for money of all barters, e.g. providing for a specific clause of “giving evidence” to be included in the barter agreements. | Action has been taken to include a new clause in Barter Agreements dated from May 2015 onwards requiring “evidence” of delivered services to be provided to ITU in a timely manner. | An article requiring proof of deliverables has been added in all media barter agreements. In addition, each time a deliverable is requested or confirmed, ITU Telecom follows up for proof. As of 2016, all deliverables will be registered in CRM with the means to review outstanding elements. Moreover, the media who do not abide in providing proof may not be considered for future events. | Closed  See ‎Recommendation n. 2/2015 |
| **Sugg. 4**  **2014** | **Prices pricing policies**  Considering the results, we suggest Management to formulate a reasonable pricing policy in order to derive more revenue from passes. | The Sales Strategy for 2015 has addressed the issue of passes in a number of ways and ITU shall be measuring effectiveness through the following means: the unit price of all pass categories has been significantly reduced to increase attractiveness; the volume of free forum passes provided as a benefit to clients purchasing space or sponsorship has been reduced, in the expectation that this will result in additional purchases by clients; and a low-cost exhibition pass has been introduced to increase attendance to the Showfloor. | Despite a decrease in access pass pricing for 2015 the number of passes sold was very similar to 2014. With a reduced unit cost this therefore resulted in a significant decrease in total access pass revenue. Such results indicate that price is not a factor for purchase. ITU will continue to monitor results. | On-going |
| **Sugg. 5**  **2014** | **Turnkey pavillions**  Considering the relevance in generating revenue from turnkey solutions, we therefore suggest Management to study the possibility of having an even larger variety of turnkey pavilions for better utilization of this economic opportunity. | The 2015 rate for a Turnkey Solution provides for an increased value proposition compared with raw space. An additional low-cost turnkey product has also been developed to attract Small and Medium Enterprises (SMEs) and Startup companies with low budgets for event participation. ITU shall continue to monitor the appeal and cost benefit of these products. | ITU will continue to offer a range of Turnkey Solutions at every event, and continue to monitor uptake and any client feedback for improvement of this product line. | Closed.  We recognize the efforts made by the Management and will monitor this aspect in the context of our future audits. |
| **Sugg. 6**  **2014** | **Strategic expenditures**  We suggest Management to analyze which budget line related to expenses are strategic and consequently, once decided, to assess if savings related to these strategies would be appropriate. | The actual expenses incurred for fellowships including awards for Young Innovators are directly related to the number of eligible applications. Notwithstanding, ITU shall analyze any potential savings on these and other budgeted items that could be considered as strategic expenses and carefully assess the impact on the success of the event. | On-going assessment and action as necessary. | On-going |
| **Sugg. 7**  **2014** | **Prize draw**  We suggest Management to allocate budgetary provisions in the future should significant expenses relating to the prize draw be foreseen. | Budgetary provisions shall be made for the prize draw should significant expenses be envisaged. Although the event budget includes cost of postage and freight services, FRMD shall be informed by ITU Telecom in due course should additional invoices be anticipated after the accounts closing to allow the relevant allocation of provisions. | ITU will continue to give importance to this issue in every event and appropriate budgetary provisions will be made as/when necessary. | Closed |
| **Sugg. 8**  **2014** | **Visas**  We suggest Management to request Member States to facilitate the issuance of visas to participants of ITU Telecom World events. | ITU is continuing to draw close attention to this issue during discussions with future Host Countries, and to reinforce the importance of implementing efficient and timely processes for visa applications for participants from all Member States. | ITU has requested Host Countries to facilitate the issuance of visas to participants of ITU Telecom World events. Discussion on this issue is held with each Host Country and addressed in the HCA. (Nevertheless, Host Countries are stressing that whilst all efforts will be made to process applications submitted in a timely manner, national processes must be respected particularly in view of increased global and national security measures in recent years.) | Closed |
| **Sugg. 9**  **2014** | **Duration of the event**  We suggest Management to conduct a study on the duration of the event, and on the distribution of main meetings and relevant conferences along the entire event, to maintain the awareness of the Media for a longer period. | Efforts shall be made to assess the optimal duration of the event and scheduling of meetings and relevant conferences to encourage media to maintain their interest throughout the event. In addition, further efforts shall be made to schedule press conferences and announcements throughout the event to stimulate and maintain media interest. | Since 2015 new activities targeting new audiences such as the Awards Programme and Next Generation Day were put in place on the last day of the event which attracted media presence as well as other participant categories throughout the event and on the last day. This optimization of the Event programme throughout the 4 days of the event will be carried out each year. In addition, media are kept up to date with all activities on a daily basis with the issuing of a media daily calendar and a “What’s on tomorrow” communications to all participants. | On-going  We await the outcome of the study on the duration of the event. |
| **Sugg. 10**  **2014** | **Global image**  We suggest Management to study any communication and advertising activity to strengthen the image of a global dimension of ITU Telecom World event. | Further efforts shall be made to determine and engage the best communication and advertising channels to strengthen the global dimension of ITU Telecom events, within the established budgetary provisions. | Each year, an optimal advertising plan is put in place taking into account the promotional needs, the available budget and the Host Country resources and efforts. Other ITU events and other external events such as GSMA are also used as promotional platforms for ITU Telecom events. | Closed |
| **Sugg. 3**  **2012** | **Discount policy**  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. | Reviewing the outcome and effectiveness of the discount policy is the current standard practice at the close of an event, and results will directly impact the policy for subsequent events. | Closed |
| **Sugg. 2**  **2013** | **KPI’s categories**  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. | 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. | Established KPIs are being consistently measured and presented in an analytical document at the close of each event. | Closed |
| **Sugg. 4**  **2013** | **Unused spaces**  Conceded that it is a choice of the third parts not to use spaces at their disposal, a deserted area of the Showfloor 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. | 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. | ITU will continue to make all efforts to minimize no-shows in the exhibition, and establish a plan to reallocate any vacant space at a minimal cost or free-of-charge. | Closed.  We recognize the efforts made by the Management and will monitor this aspect in the context of our future audits. |
| **Sugg. 5**  **2013** | **Media presence**  Since data on presence show a reduction of the presence (5%) of visitors of the Media sector (quota was 8% in WT12), we 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. | Efforts will be continued in enhancing the participation of quality media groups including new media and through creative partnerships and remote participation. | Consistent effort and plans are put in place each year to attract and engage with quality media and ensure that the media present at the event cover the main elements of the event and engage with other event participants notably the exhibitors and speakers. The editorial coverage KPIs show an increase of coverage over the last year. | Closed |
| **Sugg. 7**  **2013** | **Make Event affordable for more aspiring Host Countries**  We 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). | 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. . | As of 2015, ITU has implemented a number of initiatives to improve benefits for the Host Country. These include (1) reduced overall obligations and careful consideration of cost implications when establishing specs for HC deliverables (2) production of a document on HC benefits (3) involvement of the HC in preparation of the Forum to ensure topics of relevance are included, and specifically content targeted at nationals (4) opportunities offered to the HC for ongoing visibility in follow on events. | On-going |
| **Sugg. 8**  **2013** | **Participation of developing countries to the events**  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. | 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 has implemented price reductions across all product lines to ensure affordability for all Member States. Efforts also continue to ensure that there is global representation when issuing invitations to guest VIPs and Speakers. | Closed.  We recognize the efforts made by the Management and will monitor this aspect in the context of our future audits. |
| **Sugg. 9**  **2013** | **Gender distribution**  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 | Efforts will be continued in improving the gender balance amongst participants. | KPIs show a gradual improvement in gender balance for attendees and speakers when comparing results of 2014 and 2015. The principles established for speaker selection include gender as one of the factors to consider. | Closed.  We recognize the efforts made by the Management and will monitor this aspect in the context of our future audits.. |
| **Sugg. 10**  **2013** | **Possible weakening of identity of ITU TW events**  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. 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 | 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 pre-eminence. | The new focus on SMEs has been well received and will continue in 2016. ITU will continue to monitor by soliciting feedback from all stakeholders through surveys and face-to-face discussions. | On-going |

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