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| **Council Working Group on Financial and Human Resources Eighth meeting, Geneva, 22-23 January 2018** |  |
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**Contribution by the Secretariat**

FOLLOW-UP ON THE RECOMMENDATIONS OF THE EXTERNAL AUDITOR

The follow-up on the recommendations of the External Auditor includes:

- the recommendations made in the External Auditor’s Report on the audit of the financial statements for 2016;

- the recommendations made in the External Auditor’s Report on the Audit of the Union’s accounts on ITU Telecom World 2016.

## Follow-up on the External Auditor’s recommendations relating to the ITU Financial Operating Report at 31.12.2016

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|  | **Recommendation made by the 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** |
| **Rec 1/2016** | Considering the retirement projection for the next ten years and the risk of discontinuity potentially involved, we recommend that Management should adopt a formal succession planning strategy, to be integrated in the HR Strategic Plan. This strategy should specify critical roles and positions against ITU objectives and needs, and set out plans for the immediate future (transfer of knowledge) and for the longer term (based, amongst other things, on the inventory of skills provided in the recent Competency framework to identify the internal potential to take over). | HRMD will consult the Bureau and GS Departments to develop a succession planning strategy aimed at preserving institutional knowledge and ensuring continuity in the delivery of the mandate of the Union | **Update as of December 2017:** The HRMD service responsible for this action being deeply involved in the implementation of the new e-PMDS (performance management and development system), confirms that the recommendation will be implemented in the first quarter of 2018. |
| **Rec 2/2016** | We therefore recommend that Management should submit to the Council a proposal for amending the Financial Regulations and Financial Rules in order to be consistent with the procurement principles found in Service Order No. 14/06 which shall be aligned. | ITU takes note of this recommendation and shall consider preparing a proposal to Council. | **Update as of December 2017:** An amendment to the Financial Regulations and Financial Rules is presented to this session of the CWG-FHR to reflect this recommendation. |
| **Rec 3/2016** | We acknowledge that ITU regularly publishes all the tenders above CHF 50’000 on UNGM, however, in order to enhance the level of transparency of the procurement process, and, overall, in order to achieve the objective envisaged by the mandate of the United Nations General Assembly, we recommend that it should also regularly publish all the tenders (for goods and services) below CHF 50’000 | ITU takes notes of this recommendation and affirms that the purpose of publishing on the UNGM is to allow for international competition, which is a requirement for tenders above CHF 100’000 as per the current Service Order. It is the current practice to also publish tenders above CHF 50’000 (and below CHF 100’000) on UNGM. At times when the circumstances so require, international competition may also be sought for lower value tenders. | **Update as of December 2017**:  In progress.  The Procurement Manual is in progress of being drafted. |
| **Rec 4/2016** | We share the Internal Auditor’s view and recommend the adoption of: A) a Procurement manual covering all the steps of the procurement process according to the UN best practices on the subject and, also; B) implementation measures with policies and procedures that should serve as guidance to all staff members involved in the various stage of the procurement process. | ITU accepts this recommendation. A Procurement Manual is currently being prepared which will cover all steps of the procurement process and provide guidance on policies and procedures to all staff involved in the various steps of the procurement process. | **Update as of December 2017:**  In progress.  The Procurement Manual is in progress of being drafted. |
| **Rec 5/2016** | We therefore recommend that ITU introduce a written procedure to be followed by ITU’s staff for procurement cases below CHF 20.000. | ITU accepts this recommendation. This will be included in the new Procurement Manual | **Update as of December 2017:**  In progress.  The Procurement Manual is in progress of being drafted. |
| **Rec 6/2016** | We acknowledge that ITU Procurement Management publishes regularly all the contract award notices on UNGM, however, in order to enhance the level of transparency of the procurement process, we recommend that ITU should: A) inform individually all participating bidders as soon as the procurement process has been concluded or cancelled; B) arrange, if requested, a briefing with the unsuccessful/excluded bidders that participated in the procurement process, in order to give them the possibility to better compete for future solicitations; C) inform, during the briefing, vendors that were unsuccessful, on the reasons of why their bid was not successful. | It is the current practice of ITU to send letters of regrets (e-mail for below CHF 50’000) to all unsuccessful vendors informing that their bid has not been retained. The bid document invites vendors to request information about the assessment of their bid. ITU accepts the recommendation to also inform vendors in the letter of regret that they may request for information about the assessment of their bid and that this shall be included in the new Procurement Manual. | **Update as of December 2017:**  In progress.  The Procurement Manual is in progress of being drafted. |
| **Rec 7/2016** | We recommend that ITU should ensure that clear pass/fail (or compliant/non-compliant) criteria are applied consistently for all ITBs. | It is the current practice of ITU to apply clear pass/pass fail criteria for all ITBs, which are determined prior to the issuance of the ITB. This practice shall be included in the new Procurement Manual. | **Update as of December 2017:**  In progress.  The Procurement Manual is in progress of being drafted. |
| **Rec 8/2016** | We recommend that, in order to conduct the procurement process in a fair and transparent manner and taking into consideration best value for money: A) the Appraisal Committee should, during the evaluation process, apply the evaluation criteria and method as pre-defined in the solicitation document/tender dossier. In addition, we consider inappropriate the criteria set out in the RFP that “bidders availability in mid November (2012) will be an important criteria of selection” because it could restrict competition by limiting the participation of other vendors in the procurement process (in fact, in the procurement audited, the contract was only signed in February 2013); B) the Appraisal Committee should prepare clear Evaluation reports summarizing technical and commercial points in the bids, in order to have a clear ranking of the bid recommended for the contract according to the criteria set out in the tender file; C) in the event of exceptions from the principle of automatical rejection of late offers received, SO 14/06 should clearly state in which cases these exceptions apply. | It is the current practice of ITU to establish the evaluation criteria and evaluation methodology prior to the issuance of any tender and that the resulting evaluation reports clearly present the points awarded to each bidder and their individual ranking. This practice shall be included in the new Procurement Manual. | **Update as of December 2017:**  In progress.  The Procurement Manual is in progress of being drafted. |
| **Rec 9/2016** | We recommend, as envisaged in the UN best practices, that for RFPs, only proposals meeting the mandatory and minimum requirements (or points) should be considered for commercial evaluation and commercial bids from vendors considered not to be technically compliant with the tender specifications should not be evaluated | It is the current practice of ITU to only evaluate the commercial proposals of vendors which are technically compliant. This practice shall be included in the new Procurement Manual. | **Update as of December 2017:**  In progress.  The Procurement Manual is in progress of being drafted. |
| **Rec 10/2016** | We share the Internal Auditor’s view and we recommend setting up a vendor’s performance evaluation in order to monitor its performance and measures actual contract achievements with regards to quality, delivery, timeliness, cost control, compliance with terms of reference (TOR) or statement of work (SOW), as well as all other performance indicators established in the contract. | ITU accepts this recommendation. A policy on vendor performance management shall be included in the new Procurement Manual. | **Update as of December 2017:**  In progress.  The Procurement Manual is in progress of being drafted. |
| **Rec 11/2016** | We recommend that Management should adopt a policy on Procurement Ethics, Fraud and Corrupt Practices and that it should provide a definition of “conflict of interest” at ITU. | ITU accepts this recommendation and will prepare such a policy for adoption. | **Update as of December 2017:** Drafting has progressed on a policy against Fraud, Corruption and other Proscribed Practices.  This policy is expected to include a definition of conflict of interest. The draft policy is undergoing internal consultations. |
| **Rec 12/2016** | Through the Ethics Office, a comprehensive review of the ethics-related provisions in the legal framework is underway. Further to this review, we recommend that Management update, enhance and fully comply the legal provisions for ethics-related matters, particularly in key areas such as procurement and HR Recruitment (see also Recommendation n. 11). This should be informed by reference to best practices in the UN system as appropriate to the specific needs and circumstances of ITU | ITU accepts this recommendation, which is consistent with the overall ethics strategy that is being pursued by Management and the Ethics Office | **Update as of December 2017:** The above-referenced draft policy against Fraud, Corruption and other Proscribed Practices is expected to address some of the elements identified in this recommendation. In addition, the Ethics Office has issued Guidance Notes to apply the existing legal framework to certain specific situations and has been working with other offices to finalize a mandatory ethics e-learning programme.  Other aspects of the legal framework on ethics-related issues are also being considered for enhancement, particularly once the aforementioned policy has been finalized**.** |
| **Rec 1/2015** | We recommend that Management increase its efforts to recognize, label and capitalize the fixed assets located at ITU, in order to have a more accurate record of assets, through procedures and processes that will bolster coordination between different Departments. | The Secretariat will pursue the efforts already made to ensure that all assets are recorded in the respective databases. | **Update as of end April 2017:** Improvements were made by a close collaboration between the different Departments in terms of consistency of data in the two SAP modules intended for asset accounting and equipment management at headquarters and the regional offices. In addition, a Service Order on inventory and protection of ITU equipment has been issued.  **Update as of December 2017**: The different data in SAP equipment system and the SAP module for asset management are now synchronized. However, the matching of data is a permanent and regular exercise that will continue to be done by the concerned departments. |
| **Rec 2/2015** | We recommend that Management should review the different categories’ lifetimes and their related depreciations according to UN practices. Where categories are updated, an adjustment of net book value will be needed. | The Secretariat will further analyse this recommendation and its potential consequences. | **Update as of end April 2017:** A study on the useful life was carried out in relation to other international organizations based in Geneva. The possible change in some categories’ lifetime is under consideration and the decision to implement this recommendation is related to the construction of the new ITU building.  **Update as of December 2017:** A study on the useful life was carried out in relation to the other international organization based in Geneva. The possible change in some categories lifetime is under consideration. The decision to introduce this change will be taken in relation with the construction of the new ITU building. |
| **Rec 3/2015** | We consider that the asset management framework needs further improvement, therefore we recommend that Management should: i) consider the feasibility of assessing the status and the level of utilization of assets; ii) monitor regularly the obsolescence of items, also with a view to assessing the accuracy of the Asset Register; iii) extend these processes and procedures to all ITU Departments and Regional offices | The Secretariat will further analyse this recommendation and report on the findings and conclusions to the External Auditors | **Update as of end April 2017:** A detailed study was undertaken in 2016 concerning the level of utilization of assets under the responsibility of the ITU staff, which made it possible to identify the obsolete equipment in a significant way in order to update the accounting records. New procedures are being prepared for the management of equipment and its protection at headquarters and regional offices  **Update as of December 2017**: A detailed study was finalized in 2017 concerning the asset under the responsibility of the ITU staff. A new Service Order No. 17/10 has been published in September 2017 in order to define conditions of purchase, replacement and reassignment of IT equipment as well as the delivery and recovery process. |
| **Rec 4/2015** | Given the purpose of the valuation required by IPSAS 25 and the directions provided in paragraph 92 to 94 thereof, we recommend that, in the years to come, Management should ask the actuary to use a discount rate equal to the yield on long-term Swiss government bonds. | Management notes this recommendation and will discuss the matter with the appointed actuary to determine the most appropriate approach, taking into consideration the best practices of the UN organisations | **Update as of end April 2017:** A new actuary has been chosen further to a Call for bids. This topic was discussed with them taking into consideration the recommendation made by the UN ASHI working group and submitted to the General Assembly in December. This recommendation is based on the work of the UN IPSAS Task Force, which agreed, in principle, that a thirty-year yield curve for high-quality corporate bonds would be identified each year for each of the three currencies in which health insurance benefits are most commonly paid: US Dollar; Euro; and Swiss Francs.  **Update as of December 2017**: In line with the recommendation of harmonization discussed among the UN IPSAS Task Force, the use of a thirty-year yield curve for high-quality corporate bonds in Swiss Francs will remain for the 2017 valuation. |
| **Rec. 3/2014** | We recommend Management to perform a full actuarial review study, to evaluate when the ITU financial health, in the long-term scenario, might be compromised by the provisions of the Health Insurance Scheme. However, considering that the transition to the new scheme is still in progress, this study has to be performed after the separation from the SHIF and after sufficient data is available under the CMIP, not before the end of 2016. This recommendation replaces the previous n. 6/2012 and n. 3/2013, which are to be considered closed. | It is taken note of this recommendation. A full actuarial study will be performed according to the recommendation. | As recommended, a full actuarial study will be performed at the end of 2016 based on the data and results provided by the Collective Medical Insurance Plan (CMIP).  **Update as of end-January 2016 :** The requirement of this study will be included in the main actuary study related to IPSAS 25 (Rec 2/2014)  **Update as of December 2016:** New actuaries has been chosen to perform a full actuarial study of the Health Insurance Scheme.  **Update as of December 2017:** Discussions with the actuary have already started, and the final result of the full actuarial study should be sent to ITU beginning of next year to be presented to the next Council through the After-Service Health Insurance (ASHI) liability document. |
| **Rec. 4/2014** | As remedial measures are needed, these drivers might be considered by the Council: we recommend Management, to monitor these drivers to ensure adequate pay-as-you-go and long-term funding | The funding of the health Insurance on a pay-as-you-go basis as well as of the ASHI actuarial liability is of upmost concern for the Union and is carefully monitored. The drivers mentioned here above have been, among others, taken into account while planning the transition to the CMIP and producing the 2014-2015 budget, the 2016-2019 financial plan as well as the 2016-2017 budget, which will be presented during Council 2015. The continuous monitoring of the CMIP results with regular pro-active communication with all the stakeholders and timely proposed adjustments and decisions will enable the funding on a pay-as-you-go-basis. | The Management follows this recommendation and monitors carefully the different drivers to ensure ITU’s good financial health.  **Update as of December 2016**: The management still monitors carefully the drivers and will review and adjust it based on the results of the global actuarial study performed at the end of 2016.Each year ITU Management presents the situation of the After-Service Health Insurance (ASHI) liability. ITU will continue to focus on cost containment with the service provider and has proposed an increase in the percentage of contributions for the CMIP members and for ITU in the 2016-2017 budget in order to ensure the financing of health insurance on a pay-as-you-go basis. Furthermore, ITU will continue to fund the ASHI reserve as far as possible according to the budgetary surpluses.  **Update as of December 2017:** As part of the full actuarial study, all the drivers are carefully studied and monitored. Their long term impact will be calculated through the different assumptions. In addition, ITU will continue to fund the ASHI reserve depending on the budgetary results. |
| **Rec. 3/2012** | “Droit de superficie”  Considering that it is important and in ITU’s interest to extend the “droit de superficie” granted to ITU by the State of Geneva since 1967, we recommend Management to start, as soon as possible, the negotiations in this respect with the competent Host Country Authorities. | In January 2013, the Legal Adviser has already successfully contacted the Host Country competent Authorities in order to initiate a negotiation process. | PP-14 decided the creation of a Council Working Group. The CWG will, with the support of the Secretariat, examine the status of HQ premises of the Union and continue to analyse the options so far submitted and any other proposal by Member States, for prudent treatment of the premises in the long-term, in order to prepare a recommendation for Council. The first meeting of the CWG took place on 28 January 2015.  **Update as of end-January 2016:** The work of the CWG on options for the Union's HQ premises over the long term is still on-going. A second meeting was held on 28 September 2015.  **Update as of December 2016:** The Council, by its Decision 588, decided to replace ITU’s Varembé building by a new construction that would also include the offices and facilities of the Tower building and complement the Montbrillant Building. In this context, the “droit de superficie” currently enjoyed by the ITU until 2079 for all of its buildings will have to be renegotiated with the Swiss authorities. However, the ITU has already obtained the insurances from the Swiss authorities that the conditions presently granted to the ITU cannot be revised downwards and that the 2079 deadline will not, in any event,  be questioned.  A working group composed of representatives from the ITU, the Canton of Geneva (landowner), the Swiss Confederation and FIPOI will be set up in early 2017 to discuss specifically the issue of the “droit de superficie”.  **Update as of December 2017:** The ITU/Host country Working Group on “Droit de superficie” held its first meeting on 15 November 2017. Discussions focused on the following elements:  1) The parcel distribution, which upon agreement, should not be impacted by the construction of the new building;  2) A presentation by the representatives of the host Country of the “Droit de superficie” applicable under the recent new Swiss legislation.  The ITU has already obtained the confirmation that the current duration of the “Droit de superficie” would not be called into question (due in 2079) despite the new regulation which limits the duration of the right to a maximum of 50 years.  The ITU has also received confirmation that essential elements of the right, such as, for example, its free of charge rent would not be called into question.  3) A template for “Droit de superficie” contract has been drawn up by the Host Country. This template will be sent quickly to the ITU for review and comments. The Host Country representatives confirmed that they were open to enter into discussions on the provisions of the template.  4) The draft of “Droit de superficie”  contract should ideally be finalized by October 2018. |
| **Rec. 4/2012** | ***Assets’ recording in the register***  […] we have performed a physical stock checking of some fixed assets categories, such as a sample of items of furniture and IT equipment and we have traced them into the accounts. We observed that the ITU responsible in Facilities Management Division (HRMD Department) have not found some of the assets during the physical stock checking at year end (around 0.73% of the acquisition value of the assets concerned). We are aware that controls have detected part of these assets not found at year end, however we recommend Management to continue its research and to write-off the item that will not be found during 2013. | I will instruct FRMD to coordinate with the Facilities Management Division to ensure the continuation of efforts in 2013 and will clarify the existence and treatment of the items not captured in the stock checking. | The process of the identification and localisation and/or write-off of the assets not found during the stock checking has been initiated in past years and is progressing according to plan.  **At the end of 2014:**  the value of non-found assets has been significantly reduced by 83% of the 2012 value.  **Update as of end-January 2016:** The level of the identification of the assets which have not been found will be known by the completion of the physical inventory on 31 December 2015.  **Update as of December 2016:** The situation of recovered assets had improved considerably as at 31 December 2015 compared to 2014 and previous years. The same effort was made during 2016 for which the final result will be known at the end of the financial year. By way of comparison, the value of the assets not found on 31 December 2012 was 392’744 CHF, compared to 31,348 CHF on 31 December 2015.  **Update as of December 2017**: The level of the identification of asset which have not been found will be known by the completion of the physical inventory on 31 December 2017. |
| **Rec. 10/2012** | ***Digitalisation of personnel dossiers***  Although our analysis of the correspondence of the data inserted in the IT System with personnel dossiers did not revealed any major issue, we recommend the Management to start to evaluate the cost-effectiveness to digitalise personnel dossiers, not only in order to prevent that an accidental event might bring to loose fundamental data, but also to allow a direct interface of personnel dossiers with SAP HR. | I take note of this recommendation and inform you that HRMD is exploring this possibility. | The Detailed Blueprint (DBBP) of the e-Staff Personal File (digital filing) System was established on 19 April 2013.  This DBBP comprises the HRAD (E&B Service) business process and mapping of the structure of the staff member (hard) personal file. The system is linked to the SAP-ERP\_HCM.  **Update as of end-January 2015:** The first phase of creating the tool is completed. The e-Staff Personal File (digital filing) System is now operational.  The next phase of the exercise concerning HRAD (E&B Service) focuses mainly on two different tendencies which are :  1) Reduction of previous storage places (cupboards and computerized directories) to reorient Archive document flows toward the new e-filling system.  2) Reduction of numbers of paper documents by revised working methods (repetition, overlap, unnecessary printing, etc…). There will always be paper documents as the original signed documents must be kept for legal reasons and to certify the accuracy of information recorded in the SAP- ERP\_HCM.  **Update as of end-January 2016:** The digitalization is ongoing.  HRMD is undertaking a fundamental review of all its procedures and document flow in view of creating a centralized, structured and secure electronic information management infrastructure to support the delivery of HR services.  **Update as of December 2016:** The project is still underway. One staff of the HRM Dept. will be assigned at 100% for six months as from January 2017.  **Update as of December 2017:** Preparatory work for the migration of the data has been completed. However, further discussions are needed with the IS Department for the implementation of a robust information management architecture and system, including the possibility of a linkage with the SAP-HR ERP system. |

## Follow-up on the External Auditor’s recommendations relating to ITU Telecom World Events

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|  | **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** |
| **Rec 1/2016** | Since a clear and reliable comparison between revenue and expenses for each product is always needed, in budgeted and actual figures, we recommend to consider in future budgeting exercise to indicate as object of expense “meeting room rental/installation charges” in case of uncertainly as to whether there will be construction/set-up or business centre rental. | For ITU Telecom World 2017, since there is no business centre to be rented at the venue, the budget line item indicates “Meeting room construction/set-up”.   Nevertheless, for future events when there is a possibility to either rent a business centre or construct/set-up a meeting room, “meeting room rental/installation charges” will be used as object of expense. | **Update as of December 2017:** As in ITU Telecom World 2017, the recommended object of expense will continue to be used for all ITU Telecom future event budgets. |

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