

Agenda item: ADM 14

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Report by the Secretary-General

EXTERNAL AUDIT

Summary

The External Auditor's report covers the audit of the financial statements for 2018.

Action required

The Council is invited to examine the External Auditor's report on the accounts for 2018 and to **approve** the accounts as audited.

References

[Financial Regulations \(2010 Edition\)](#): Article 28 and additional terms of reference



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REPORT OF THE EXTERNAL AUDITOR

**INTERNATIONAL TELECOMMUNICATION UNION
(ITU)**

Audit of the Financial Statements for 2018

27 May 2019

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INTRODUCTION

The legal basis for the audit carried out by the External Auditor is set out in Article 28 of the *Financial Regulations* (2010 edition) and the Additional terms of reference.

This report informs the Council of the results of our audit.

The audit looked at the ITU's Financial Operating Report at 31 December 2018, the budgetary accounts and their consistency.

The financial periods are governed by the Constitution and Convention of the International Telecommunication Union, and by the ITU's *Financial Regulations and Financial Rules*, in accordance with the International Public Sector Accounting Standards (IPSAS).

We carried out the audit of the accounts for the Financial Year 2018 on the basis of INTOSAI standards and the IPSAS regime and in line with the additional terms of reference that form an integral part of the Union's Financial Regulations.

We planned our working activities in accordance with our audit strategy, so as to obtain reasonable assurance that the Financial Statements were free from material misstatement.

We evaluated the accounting principles and the related estimates made by Management and we assessed the adequacy of the presentation of information in the Financial Statements.

We tested a number of transactions and the relevant documentation on a sample basis and we obtained sufficient and reliable evidence in relation to the accounts and disclosures in the Financial Statements.

Thus, through our audit, we obtained a sufficient basis for the opinion given below.

During the audit, all questions were clarified and discussed with the officials responsible.

The team had regular discussions with Mr. Alassane Ba, Chief of ITU's Financial Resources Management Department, and with members of his staff or staff in other departments, depending on the subject matter under consideration.

The result of the audit was communicated on 16 May 2019.

Pursuant to §9 of the Additional terms of reference governing the external audit, the Secretary-General informed us, through his staff, that he would be sending us his comments for inclusion in this report. Those comments were received on 24 May 2019 and were duly incorporated in the report.

We audited the ITU's financial operating report on the Organization's accounts relating to the financial results as at 31 December 2018, presented in compliance with Article 28 of the *Financial Regulations (2010 edition)*.

A Management report referring to the accounts for the Financial Year 2018, signed by the Secretary-General and the Chief of the Financial Resources Management Department on 27 March 2019, was included in the Financial Statements and is an integral part of the audit documentation.

Furthermore, we also received the Statement of Internal Control for 2018, signed by the Secretary-General on 27 March 2019.

On 16 March 2018, the Secretary-General informed our President that a case of fraud had been detected by Management in a Regional Office that did not fall within our audit scope.

Subsequently, the Secretary-General reported that the Management's investigation had concluded that the fraud, caused by a conflict of interest in the procurement area, had been perpetrated over a period of several years.

As external auditors, we paid close attention to the issues opened by the fraud detection.

In order to assess the effectiveness of the Management's response to the specific case of fraud, in line with International Standards on Auditing (ISSAI and ISA), we decided to carry out further audit activities at the HQ in the summer of 2018 and at the Regional Office concerned in January 2019.

Our audit also looked at the environment in which the fraud was perpetrated and the ability of the existing internal control frameworks to ensure effective risk mitigation and to protect the resources of the organization. We identified a number of shortcomings in the internal control frameworks and poor accountability mechanisms.

We promptly informed Management of the results of our audits through two Management letters addressed to Secretary-General; the first of these was delivered on 27 October 2018 and contained two recommendations, the second one, delivered on 26 March 2019 and contained seven recommendations and one suggestion.

The Secretary-General replied to us on 17 April 2019 accepting all our recommendations and the suggestion mentioned above.

It should also be noted that we had a constructive and continuous dialogue and an exchange of ideas both with the Internal Audit Unit, with a view to coordinating our respective roles, and with the IMAC Members, in order to increase the ITU's awareness

with regard to the relevance of fraud prevention and the importance of an effective internal control system.

We would like to highlight the fact that, besides the recommendations issued in the two Management letters mentioned above, many other recommendations had already been provided in our previous Reports (including Special Report C18/125 on the performance measurement of Regional Offices) in various areas, which, if promptly implemented by Management, might have limited the risk of fraud through a more effective accountability framework.

In respect of the audit of the financial statements for 2018, our checks revealed that expenditure related to international cooperation and technical assistance had been authorized and executed under a system of internal controls on which we could not rely for the purpose of our audit. There were no other satisfactory audit procedures that we could adopt to satisfy ourselves that the recorded expenses were free from material misstatements.

Therefore, in accordance with the International standards (ISA 705) we have qualified the opinion in our Audit Certificate with regard to this area of expenses. We provided details supporting our modified opinion in the long-form report (paragraphs 82 to 85), highlighting the most important steps that, in our view, Management should carry out in order to enhance the systems for controlling expenditure related to international cooperation and technical assistance.

We will continue to assess the effectiveness of the measures taken by Management and reserve the right to report in more detail on the results of our audits.

We have highlighted the results of our audit activity as “Recommendations” and “Suggestions”. Whilst Recommendations fall under the follow-up process carried out by the Council Working Group on Financial and Human Resources, Suggestions are only followed up by the External Auditor. However, in principle, the ITU Council, following advice from the Independent Management Advisory Committee (IMAC), may ask the Secretary-General to implement a “Suggestion”, where deemed necessary.

We also audited the ITU TELECOM World accounts for 2018, in accordance with Resolution 11 (Rev. Busan, 2014) resolve no. 6.

Finally, we wish to express our appreciation for the courtesy and helpfulness shown by all the ITU officials whom we asked for information and documents.



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AUDIT CERTIFICATE

Opinion

We audited the financial statements of the International Telecommunication Union (ITU), which comprise the statement of financial position as at 31 December 2018, the statement of financial performance, the statement of changes in net assets, the table of cash flows and the comparison of budgeted amounts and actual amounts for the 2018 financial period, as well as notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the accompanying financial statements present fairly, in all material respects, the financial position of the International Telecommunication Union (ITU) as at 31 December 2018, and its financial performance, its changes in net asset, its cash flows and its comparison of budgeted and actual amounts for the year then ended, in accordance with IPSAS and the Financial Regulations and Rules of the ITU.

Basis for Qualified Opinion

We conducted our audit in accordance with the International Standards of Supreme Audit Institutions (ISSAIs), and the ITU Financial Regulations and Rules. In the field of financial statements audit, the ISSAIs are based directly on the International Standards on Auditing (ISAs). The Corte dei conti applies the provisions of the ISAs as far as they are consistent with the specific nature of its audits. Our responsibilities under these standards are further described in the section of our report on Auditor's Responsibilities for the Audit of the Financial Statements. We are independent of the ITU in accordance with the ethical requirements relevant to our audit of the financial statements in the United Nations system, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

The Telecommunication Development Sector (ITU-D) fosters international cooperation and solidarity in the delivery of technical assistance and in the creation, development

and improvement of telecommunication and ICT equipment and networks in developing countries. ITU-D is required to discharge the Union's dual responsibility as a United Nations specialized agency and executing agency for implementing projects under the United Nations development system or other funding arrangements, so as to facilitate and enhance telecommunication/ICT development by offering, organizing and coordinating technical cooperation and assistance activities. The work of the Telecommunication Development Sector (ITU-D) is supported by its Secretariat, the Telecommunication Development Bureau (BDT). The Telecommunication Development Bureau comprises four Departments and the Regional and Area Offices. In relation to expenditure executed during the year 2018, the Segment Reporting Table of the Financial Statements at 31 December 2018 showed expenditure related to international cooperation and technical assistance in the area mentioned above, over which there was no system of internal controls that could be considered as "reliable" for the purpose of our audit. There were no other satisfactory audit procedures that we could adopt to satisfy ourselves that the recorded expenses were free from material misstatements.

Other Information

The ITU Secretary-General is responsible for the other information. The other information comprises the presentation of the "financial key indicators", shown by the Secretary-General in his foreword to the Financial Operating Report.

Our opinion on the financial statements does not cover this other information and we do not express any form of assurance conclusion in this regard.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or the knowledge obtained in our audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report this. We have nothing to report in this regard.

Responsibilities of the ITU Secretary-General and Those charged with governance for the Financial Statements

The Secretary-General is responsible for the preparation and fair presentation of the financial statements in accordance with International Public Sector Accounting Standards (IPSAS), and for such internal control as the Secretary-General determines to be necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Secretary-General is responsible for assessing the ITU's ability to continue as a going concern, disclosing, as applicable, matters related to the going concern and using the going concern basis of accounting unless the Secretary-General either intends to liquidate the Organization or cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the ITU's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and issue an audit report that includes our opinion. Reasonable assurance is a high level of assurance, but it is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when one exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the overriding of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the ITU's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, decide whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ITU's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the

related disclosures in the financial statements or, if such disclosures are inadequate, modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the ITU to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and assess whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with Those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Other Legal and Regulatory Requirements

Furthermore, in our opinion, the ITU's transactions that came to our notice or that we tested as part of our audit were, in all significant respects, in compliance with the ITU Financial Regulations and Rules and its legislative authority.


In accordance with the ITU's Financial Regulations and Rules (Article 28) and the additional terms of reference governing External Audit (Annex I to these Financial Regulations and Rules), we also issued a detailed report on our audit of the ITU Financial Statements for 2018.

Emphasis of matter

We draw attention to the fact that the Statement of financial position shows a negative Net Asset (-395.2 MCHF), mainly due to the impact of 573.4 MCHF in actuarial liabilities relating to long-term employee benefits recorded in the financial position. Details of our analysis are included in our report. Measures are being undertaken by Management, which has assured us that it will monitor the effectiveness of these measures. Our opinion is not modified in respect of this matter.

Rome, 27 May 2019

Angelo Buscema
President of the
Corte dei conti



STRUCTURE OF THE ACCOUNTING STATEMENTS

1. The ITU's Financial Statements, prepared and presented in compliance with IPSAS 1, include the following elements:
 - Statement of financial position – Balance sheet at 31 December 2018 with comparative figures as at 31 December 2017 showing Assets (divided into Current and Non-current assets), Liabilities (divided into Current and Non-current liabilities) and Net assets;
 - Statement of financial performance for the period ended 31 December 2018, with comparative figures as at 31 December 2017 showing the Surplus/Deficit for the financial year;
 - Statement of changes in Net Assets for the period ended 31 December 2018, showing the value of the Net assets including the surplus or deficit for the Financial Year as well as losses directly recorded in Net assets without impacting the Statement of financial performance;
 - Table of cash flows for the period ended 31 December 2018, showing the inflow and outflow of cash and cash equivalents, regarding the operational, investments and financing transactions and the treasury totals at the end of the financial year;
 - Comparison of budgeted amounts and actual amounts for the 2018 financial period;
 - Notes to the financial statements providing information about accounting policies and additional information necessary for a fair presentation.

STATEMENT OF FINANCIAL POSITION 2018

ASSETS

2. In 2018, Assets amounted to 410.6 million Swiss Francs (MCHF), with an increase of 37.9 MCHF (+10.2%) compared with the value recorded in 2017 (372.8 MCHF).
3. They consisted of Current assets, amounting to 310.7 MCHF, representing the 75.7 % of Total Assets (in 2017, they represented 72.9%) and Non-Current Assets, amounting to 99.99 MCHF, representing 24.3% of Total Assets (27.1% in 2017). The basis for the evaluation of Assets is given in the Main Accounting Principles (Note 2).

Current Assets

4. Total Current assets in 2018 amounted to 310.7 MCHF, representing an increase of 38.8 MCHF (+14.3%) as compared to 2017 (271.9 MCHF). Examining the movements in the sub-headings, we observe that the overall growth is due to the increase in “Cash and cash equivalents” (+26.5 MCHF) as well as in “Investments” (+17.6 MCHF). “Receivables of exchange transactions” and “Receivables of non-exchange transactions” decreased (-3.5 MCHF and -2.8 MCHF respectively); “Other receivables” increased (+1 MCHF), Inventories slightly decreased (-0.1 MCHF).

Cash and cash equivalent

5. The sub-heading “Cash and cash equivalent”, totalling 161.8 MCHF, increased by 19.6% compared to 135.3 MCHF in 2017; it included cash in hand and all the balances of ITU postal and bank current accounts as at 31 December 2018. The increase was mainly due to “Bank current accounts in CHF” (+5.9 MCHF), which made up around 15.9% of the total sub-heading, and to “Sight accounts in CHF” (+21 MCHF), which made up around 67.8% of the total sub-heading, whilst “Bank current accounts in foreign currencies” which made up around 15.7% of the total sub-heading, slightly decreased (-0.3 MCHF). A detailed breakdown of Cash and cash equivalent is shown in Note 6 of the Financial Operating Report.
6. We asked all the banks with business relations with ITU to confirm the current accounts’ balances as at 31 December 2018. We verified that the accounts balances had been properly recorded in the accounts. All variances detected in the banks’ confirmations were explained and justified. It is worth mentioning that we did not receive direct confirmation from nine banks. We acknowledge the efforts made by Management to enable us to receive all the confirmations, nevertheless this limited our work in this area.
7. With reference to the missing bank confirmations, Management provided us with a copy of the statements as at 31.12.2018 relating to all the above-mentioned banks, and we used them for the reconciliation.

Updating of lists of authorized signatures at banks

8. As a result of our audit of the bank confirmations, as in previous years, we found differences between the lists of authorized signatures kept by Management at Headquarters and the lists that we received from the banks. Due to the fact that not all the confirmations had been received, we could not reach a conclusion over

the signatories. We acknowledge that Management acted promptly, communicating with the banks in order to solve these discrepancies.

9. Nevertheless, we must renew our Recommendation 1/2012, which requested at least dual signatures for bank accounts, whilst acknowledging the actions taken by Management in this regard.

Recommendation n. 1

10. We renew our Recommendation 1/2012, therefore we recommend that in order to operate on bank accounts at least dual signatures are required as a general rule and in any case to make an effort to ensure that the conditions for joint signatures and individual signature above the threshold of 5,000 USD, be complied with.

Comments by Secretary-General

We take note of this recommendation. A dual signature is already in place in all the banks and all staff movement are also reflected. We will do a review of all our banks to make sure our instructions have been properly registered.

Investments

11. In 2018, the sub-heading “Investments” amounted to 49.0 MCHF, a decrease of 17.6 MCHF (-56.2%) compared to 2017 (31.4 MCHF), and it included fixed-term investments with maturity of not more than 9 months from 31 December 2018. A detailed breakdown of Investments by date of maturity is shown in Note 7 to the Financial Operating Report.
12. In Note 2 of the Financial Operating Report, regarding Main Accounting Principles, the specific paragraph on Financial Instruments provides information on the disclosure of Investment. In accordance with IPSAS, Note 4 provides information about the Financial risk management; in particular, all Investments are exposed to a credit risk, as well as interest rate, liquidity and market risks.

Receivables

13. Current receivables, whether for exchange or non-exchange transactions, had a net worth of 90.8 MCHF in 2018, compared to 97.1 MCHF in 2017. They represented 27.6% of the total current assets compared to around 35.7% in 2017.

14. As stated in Note 8 to the Financial Operating Report, they represent the uncollected revenue that Member States, Sector Members and Associates are committed to paying to ITU for annual contributions, purchase of publications, satellite network filings and other invoices issued by ITU.
15. Non-current receivables, as also illustrated in Note 8, were present only for non-exchange transactions and amounted to 16.6 MCHF (7.0 MCHF in 2017). They were fully provisioned at 31 December 2018, in line with the principles described in Note 2 to the financial statements.

Other current receivables

16. An amount of 8.5 MCHF (7.5 MCHF in 2017) is shown in the closing balance sheet under other receivables. A detailed breakdown of “other receivables” is shown in Note 10 to the Financial Operating Report. In addition to “accounts receivable”, which represented, primarily, the prepaid expenses related to the budget 2018, the increase as compared to 2017 is also due to an amount of around 1.5 MCHF that represents the sums to be recovered as a result of the case of fraud.

Arrears

17. The total of arrears, special arrears accounts and cancelled special arrears accounts amounted to CHF 39.7 million at 31 December 2018, with a decrease of 2.7 MCHF, as compared to 31 December 2017 (it was 42.2 MCHF). Special arrears represent the amount due by debtors who agreed a repayment schedule with ITU under Resolution 41. In 2018, six more Member States came to an agreement for payment of their arrears, thus the amount of special arrears increased from 7.6 MCHF at 31 December 2017 to 17.2 MCHF at 31 December 2018. An agreement with a Member State was cancelled for non-payment.
18. Resolution 41 (2018, Dubai) recalls Resolution 152 (2014, Busan) as to the “*need to increase the recovery of contribution and considerably reduce arrears of Sector members and Associates*”. Considering that Sector Members and Associates’ arrears amount to 11.2 MCHF, which represents most of the total, and that no new agreements for repayment were made with Sector Members in 2018, action is needed.

Suggestion n. 1

19. We suggest that Management continue its efforts in negotiating repayment plans with Sector Members and Associates.

Comments by Secretary-General

The management works in close collaboration with the Member states in order to reduce the debts of the Sector Members and Associates. This specific debt decreased by 24 % in 2018. The remaining debt concerns mainly non active Sector members and Associates who have been already deleted from the list of members. The management cannot decide but only propose the signature of a repayment agreement.

Inventories

20. In 2018, items related to publications, souvenirs and supplies were recorded at a net value of 0.54 MCHF, a decrease of 0.12 MCHF compared to the 2017 net value of 0.66 MCHF. Inventories are detailed in Note 9 to the Financial Operating Report, which shows that the decrease was due to the depreciation of publications and the decrease in supplies.

Non-current assets

21. Non-current assets as at 31 December 2018 totalled around 100.0 MCHF; they showed a reduction of 0.9 MCHF (-0.9%) compared to 2017, when they amounted to 100.9 MCHF; the decrease is mainly due to the depreciation of the ITU's buildings.
22. This heading was composed of "Property, plant and equipment", amounting to 95.6 MCHF, or 95.6% of total Non-current assets (in 2017 it was 99.0 MCHF, or 98.1% of total Non-current assets), by "Intangible assets", amounting to 2.1 MCHF, or 2.1% of the total (in 2017, it was 1.0 MCHF, or 1 %) and by "assets under construction", 2.3 MCHF in 2018 (in 2017 amounted to 0.9 MCHF), or 2.3% of total Non-current assets. The first two sub-headings are illustrated in Notes 11 and 12 to the Financial Operating Report respectively. Note 13 shows the sub-heading "assets under construction".

Property, plant and equipment

23. This heading showed a value of 95.6 MCHF, which was the net value, at 31 December 2018, of the capitalised cost minus the related depreciation. The main categories refer to buildings (a net value of 94.7 MCHF was recorded in 2018; 97.7 MCHF in 2017) and to IT equipment (a net value of 0.8 MCHF in 2018, 1.1 MCHF in 2017). These are illustrated in Note 11 to the Financial Operating Report.

24. IPSAS 1 requires that, in the Statement of the financial position, buildings should be recognised as assets. For the initial recognition, IPSAS 17 states that reference must be made to the costs of these items or to a reliable fair value. Depreciation is charged systematically over the asset's useful life, and the depreciation method must reflect the pattern in which the asset's future economic benefits or service potential is expected to be consumed by the entity. The residual value must be reviewed at least annually and must equal the amount the entity would receive currently if the asset were already of the age and condition expected at the end of its useful life. Land and buildings are separable assets and are accounted for separately, even when they are acquired together.
25. According to Annex II to the ITU Financial Regulations, the External Auditor has to express whether "procedures satisfactory to the External Auditor have been applied to the recording of all assets, liabilities, surpluses and deficits".
26. In Note 2 to the Financial Operating Report "Main accounting principles", sub paragraph "Property and equipment", it is stated that the initial recognition of buildings was performed at the "*intrinsic value*" "*on the basis of the study conducted by an external consultancy*", in order to define the IPSAS opening balance sheet value. This was considered the "historical cost", and the depreciation was realized referring to an "*estimated useful life*" which was 100 years for the structure. The land on which ITU has a free-of-charge "right of superficies" was not considered in determining the initial value of the buildings.
27. The Swiss Confederation grants funding for the construction of buildings for international organizations through the "Fondation des immeubles pour les organisations internationales" (FIPOI), in the form of a loan on favourable terms, i.e. a period of 50 years at an interest rate of 0%. As already said, the land is provided free of charge by the Canton of Geneva via a "droit de superficie" (right of superficies). The value of borrowings from the FIPOI is illustrated in Note 16 to the Financial Operating Report, which also reports that the reimbursement of the loan for the new premises will only start after the successful delivery of the new building at the earliest beginning of 2026.
28. In the first year of our mandate we issued Recommendation n. 3/2012, related to the renegotiation of the Host State Agreement. We are following up that recommendation: an ITU/Host country Working Group, composed of representatives from the ITU, the Canton of Geneva (landowner), the Swiss Confederation and FIPOI, was created in 2017 to discuss specifically the issue of the "droit de superficie". As of April 2019, we have been informed that the draft is still under discussion, and the reduction in the duration, proposed by Swiss

Authorities, has to be further negotiated. Once the agreement has been finalised, residual book values should be adjusted accordingly.

29. In Note 11 to the Financial Statements, the buildings recognized as non-current assets were the Tower, Varembe, Extension C and Cafeteria, and Montbrillant. In respect of buildings, as stated above, the net carrying amount varied from 97.7 MCHF at 1 January 2018 to 94.7 MCHF at 31 December 2018, due to a depreciation of 3 MCHF recognized during the year.
30. As stated in Note 13, in 2018 Management decided to disclose separately the cost of the additions (983 kCHF) from the costs related to the buildings under construction (1,326 kCHF) *“in order to anticipate on the new building project and thus allow for a transparent follow up of the project during the construction phase”*.

Union’s headquarters premises

31. With its Resolution 194, ITU Plenipotentiary Conference of Busan, 2014, authorized the ITU Council to establish a Council Working Group to explore options for the Union’s headquarter premises over the long term (CWG-HQP). The outcome of the CWG was presented to the Council in 2016.
32. ITU Council 2016, with Decision 588 of 10 June 2016, approved the replacement of the Varembe building with a new one that would also accommodate the offices and facilities of the Tower building, retaining and refurbishing the Montbrillant building; this measure was considered the most cost-effective option, assuming a successful sale of the Tower. A Member States Advisory Group (MSAG) was established.
33. Resolution 212, adopted by PP of Dubai 2018, recognized the need to involve ITU Member States in decisions regarding the construction of the Union’s future headquarters and confirmed that the project would be primarily financed through an interest-free loan of CHF 150 million from the host country (with the amount of the loan not exceeding this value) but also that the project financing could be supplemented by sponsorships and donations and by the temporary fund established by the Council. The MSAG was also confirmed, with the mandate to review the project’s progress and provide guidance on the scope, cost and timing of the project.
34. With regard to sponsorships and donations, four Member States have already made a commitment to contribute, for a total amount of around 15 MCHF.

35. In the accounts (Segment reporting and Annex B2) two different funds related to the new buildings are disclosed: the Fund for the project of the new building's construction (that will be fed through the loan) and the New Building Reserve Fund, on which the Secretary-General allocates 6 MCHF of the budgetary surplus. As of 31 December 2018 it amounts to 6,095 kCHF).
36. The first tranche of the loan for the project was paid. After the initial concept design of the project, delivered in October 2018, a new optimized version is under study and the final version is still to be presented.
37. The whole procedure is currently ongoing, pending some issues with regard to the sale of the Tower. As soon as the final decision regarding the demolition of the Varembe building has been taken, the depreciation of such building, as recorded in the accounts, has to be recalculated based on the residual lifetime.

Intangible Assets

38. In 2018, Intangible Assets amounted to 2.1 MCHF, more than twice the value recorded in 2017 (1 MCHF).
39. As stated by Management in Note 12 to the Financial Operating Report, capitalization, according to IPSAS 31, regarded: (i) internal developments related to improvements of some specific services offered to members, specifically for the access, management and archiving of ITU documentation; (ii) standard software and upgrade packages used in ITU's operating activities.

LIABILITIES

40. In 2018, Total Liabilities amounted to 805.8 MCHF, a decrease of 49.5 MCHF (-5.8%) in comparison with the value recorded in 2017 (855.3 MCHF). They consisted of:
 - a) *Current Liabilities*, amounting to 156.9 MCHF, representing 19.5% of Total Liabilities (in 2017, they represented 17.4%, totalling 149.1 MCHF), and
 - b) *Non-Current Liabilities*, totalling 648.9 MCHF, representing 80.5% of Total Liabilities (in 2017, non-current liabilities represented 82.6%, totalling 706.2 MCHF).

Current liabilities

41. Total Current liabilities in 2018, as seen above, amounted to 156.9 MCHF, representing an increase of 7.8 MCHF as compared with 2017 (149.1 MCHF). In overall terms, the increase was due to the effect of the increase in "Deferred

revenue" (+2 MCHF), "Provisions" (+5.2 MCHF) and "Other debts" (+1.4 MCHF). The basis for the evaluation of Current Liabilities is set out in the Accounting Principles (Note 2).

Suppliers and other creditors

42. An amount of 8.9 MCHF (9.7 MCHF in 2017) is shown in the closing balance sheet under "Suppliers and other creditors". A detailed breakdown is shown in Note 14 to the Financial Operating Report, where the three sub-items "Suppliers", "Deposits received" and "Down payments received" are listed.

Deferred revenue

43. The sub-heading "Deferred revenue" amounted to 136.3 MCHF (134.3 MCHF in 2017). The majority of this amount comes from contributions from the ITU's membership (Member States, Sector Members, Associates) and from revenue for Satellite Network Filing for requests prepared at the end of 2018 with publication in 2019. A detailed breakdown of deferred revenues is shown in Note 15 to the Financial Operating Report.

Provisions

44. In 2018, the sub-heading "Provisions" amounted to 6.83 MCHF (1.64 MCHF in 2017). This heading included the provision for litigation (around 6.23 MCHF) and the provision for free Satellite Network Filing (0.6 MCHF). A detailed breakdown of provisions is given in Note 18 to the Financial Operating Report.
45. Provisions for litigation varied from the initial value of 2018 (1.1 MCHF) to the final (31.12.2018) value of 6.2 MCHF. The provisions were actually used for 0.2 MCHF, released for 0.7 MCHF and subsequently increased for around 6.0 MCHF, due to some significant disputes that are expected to arrive at a solution during 2019. We ascertained that the underlying assumptions had been plausibly taken and recorded.

Borrowings and financial debts

46. The amount related to the ITU's capital borrowed from FIPOI for the construction and renovation of some of its premises was recorded as short-term (1.5 MCHF, or 0.95% of total Current Liabilities), corresponding to the instalment to be repaid to FIPOI by ITU in 2018, and as long-term (41.7 MCHF, or 6.4% of total non-current liabilities, it was 5.9% in 2017). The amounts, detailed in Note 16 to the Financial Operating Report, are also confirmed by the statement obtained from FIPOI dated 7 January 2019.

Other Current liabilities

47. In 2018, the sub-headings “Employee benefits” and “Other debts” amounted respectively to 0.2 MCHF (same as in 2017) and 3.2 MCHF (1.8 MCHF in 2017). A detailed description and breakdown are shown in Notes 17.1 and 19 to the Financial Operating Report respectively.
48. In particular, short-term Employee benefits, recorded under “Current liabilities”, are related to the provision for overtime (39 KCHF, it was 51 in 2017) and the provision for accumulated leave (148 KCHF, it was 175 in 2017). Our checks did not reveal any major issue and the provisions are substantially accurate.
49. “Other debts” recorded under “Current liabilities” include, under the sub-item “Accounts payable”, an additional amount of around 1.5 MCHF, which, as reported by Management, is intended to cover any failure that could derive from the case of fraud.

Non-current liabilities

50. Total Non-current liabilities in 2018 amounted to 649.93 MCHF, with a decrease of 57.25 MCHF (-8.1%) as compared with 2017 (706.18 MCHF). The decrease, in overall terms, is explained by the decrease in Employee benefits (-64.95 MCHF, -10.2% compared to 2017). The basis for the evaluation of Non-current liabilities is set out in the Accounting Principles (Note 2).
51. This heading comprised long-term debts (see the paragraph on “Borrowings”), third-party funds, allocated or in the process of allocation, liabilities for the ITU Health Insurance Scheme and provisions covering obligations of uncertain amount and timing, mainly related to post-employment benefits.

Summary of employee benefits

52. Employee benefits are disclosed in the Financial Statements under “Current liabilities” and under “Non-current liabilities”, totalling 573.6 MCHF in 2018, as summarised in the table below.

Table 1

<i>Liabilities</i>	Year (kCHF)		Variance 2017-18	
	2018	2017	kCHF	%
<u>Current</u>	187	226	-39	-17.3%
<u>Non-current</u>	573,412	638,365	-64,953	-10.2%
<u>Total</u>	573,599	638,591	-64,992	-10.2%
<i>Composition of Non-current</i>				
Post retirement Plan (ASHI)	552,240	617,250	-65,010	-10.5%
Pensions	54	54	0	0.0%
Installation/repatriation	12,341	12,485	-144	-1.2%
Accrued leave	8,777	8,576	201	2.3%
Total	573,412	638,365		

Long-term employee benefits

53. As shown in the table above, in 2018, the sub-heading “Non-current liabilities” (related to long term employee benefits) were around 573.4 MCHF, a decrease of 64.9 MCHF (-10.2%) as compared with 638.3 MCHF in 2017. It represented 88.4% of total Non-current liabilities and 71.2% of total liabilities. This heading included the actuarial liabilities for post–employment benefits under the After Service Health Insurance plan (ASHI) (552.2 MCHF; in 2017 it was 617.2 MCHF), a provision for estimated liabilities for the repatriation grant (12.3 MCHF; in 2017 it was 12.5 MCHF) and a provision for accrued leave (8.8 MCHF; in 2017 it was 8.6 MCHF). A detailed description and breakdown of the long-term employee benefits is shown in Note 17.2 to the Financial Operating Report.

Employee benefits: Installation and Repatriation grants

54. As shown in the previous paragraph, the provisions recognized at 31 December 2018 for installation and repatriation grants amounted to 12.3 MCHF (12.5 MCHF in 2017) and were calculated according to the actuarial study commissioned by Management, which the actuary illustrated in its report of February 2019.

Employee benefits: ASHI

55. In 2018, the provision for actuarial liabilities for the ASHI plan amounted to 552.2 MCHF, representing a decrease of 65 MCHF (-10.5%) compared to 617.2 MCHF in 2017. This was mainly due to the update of the demographic assumptions based on the table provided by the United Nations and to the increase in the discount rate (1.2% in 2018, it was 0,9% in 2017). This calculation, based on actuarial assumptions, was performed by the actuary.

Negative Net-assets influenced by actuarial liabilities

56. The considerable amount of the ASHI's actuarial losses (282.4 MCHF) has a significant impact on the ITU's Net Assets and, for this reason, as in the past years, we focused part of our audit on the correctness and reliability of the Employee Benefits values.
57. The choice of actuarial assumptions is the sole responsibility of Management. The External Auditor checks their plausibility and their consistency with IPSAS and with previous years and validates them.
58. As in previous years, our team made use of a group of public actuaries, who are experts in social benefits. They carried out a review of the key assumptions related to 2018, which were duly discussed with Management. We found that these assumptions were in line with economic trends and rates and were also consistent with data available at ITU at the time of our audit, and we validated them.
59. To carry out their work, our actuaries recalculated the valuations prepared by the actuary chosen by ITU (AON Hewitt Consulting); they also performed an in-depth analysis of all actuarial valuations and assumptions in order to review their plausibility and the algorithms used. Management and the actuary fully cooperated with this review. The work of our actuaries confirmed that the amounts recorded in the accounts were substantially correct.

The amount of actuarial liabilities is influenced by the discount rate

60. In our report on the Financial Statements for 2015, we recommended (rec. n. 4/2015) requesting the actuary to use a discount rate equal to the yield on long-term Swiss government bonds, in accordance with the directions provided in paragraphs 92 to 94 of IPSAS 25 (now, IPSAS 39).
61. Management reported to us that "As put in place last year in accordance with the decision taken by the UN IPSAS task force and as it will be reported by the UN ASHI Working group to the UN Assembly, we will use a thirty-year yield curve for high-quality corporate bonds in Swiss Francs which will be provided by the UN in a view of harmonization of the assumptions among the UN organizations" (see Annex 1, follow-up table).
62. We note the reasons why the Union uses the discount rate deriving from such corporate bond yield curve; however, our opinion is that a different discount rate should be used to calculate actuarial liabilities. In fact, paragraph 88 of IPSAS 39 (it was paragraph 94 of IPSAS 25) requires that "*An entity makes a judgment*

whether the discount rate that reflects the time value of money is best approximated by reference to market yields at the reporting date on government bonds, high quality corporate bonds, or by another financial instrument. In some jurisdictions, market yields at the reporting date on government bonds will provide the best approximation of the time value of money. However, there may be jurisdictions in which this is not the case, for example, jurisdictions where there is no deep market in government bonds, or in which market yields at the reporting date on government bonds do not reflect the time value of money”.

63. Since in Switzerland a “deep market” in government bonds exists (and market yields reflect the time value of money), the discount rate should be equal to the yield, at the end of the year, on long-term Swiss government bonds, adjusted to reflect the estimated timing of benefit payments, also considering that the majority of obligations and payments related to the ASHI (around 86%) are in CHF.
64. We took note of Management’s decision and we considered recommendation n. 4/2015 as “closed”. Nevertheless, as auditors, we have to highlight that the discount rate of long-term government bonds is the only sure value. Other “built” curves can be adjusted yearly, according to the needs of the entity, thus the discount rate is not a definite value.
65. Paragraph 85 of IPSAS 39 states that “The rate used to discount post-employment benefit obligations (both funded and unfunded) shall reflect the time value of money. The currency and term of the financial instrument selected to reflect the time value of money shall be consistent with the currency and estimated term of the post-employment benefit obligations”.
66. Even if the Union decides to adopt a different discount rate, the amount of actuarial liabilities calculated following the long-term government bonds should be disclosed, at least in the notes, as a comparison value.

Recommendation n. 2

67. Considering the directions provided by IPSAS 39, we recommend that Management, despite having decided to adopt the discount rate deriving from a thirty-year yield curve for high-quality corporate bonds in Swiss Francs, should also disclose in the notes to the Financial Operating Report, the amount of the ASHI actuarial liabilities calculated using the discount rate of the long-term Swiss government bonds, starting from the Financial Statements for 2019.

Comments by Secretary-General

We take note of this recommendation. A sensitivity analysis will be requested to our actuary for 2019. The amount of the liability calculated with on a discount rate based on the long-term Swiss government bonds will be disclosed in the note of the financial operating report 2019.

Update on the full actuarial review

68. In order to implement our recommendation n. 3/2014, in 2016 Management launched a call for bids to choose a new actuary, in order to carry out a full actuarial study and the annual IPSAS 25 (now IPSAS 39) valuations. The actuary chosen was AON Hewitt Consulting.
69. In our report on the financial statements for 2014, we recommended, in particular, that Management should perform a full actuarial study in the coming years: this was necessary to obtain answers, and possible solutions, to the question of adequate funding, in order to ensure that the ITU Health Insurance Scheme is not underfunded, in the long-term.
70. The study was completed and its results were received by Management and shared with the CMIP Committee for consideration. As confirmed by Management during the follow-up process to our recommendations, at the time of our audit, the Committee was still reviewing the different options to ensure the long-term sustainability of the plan. We will continue monitoring the issue.

Separation from the “SHIF”: result of the litigation

71. In our past reports, we stated that the separation from the SHIF, the health insurance scheme operated by the ILO, in which ITU participated until 2014, had not yet been completed, due to a disagreement between the two agencies on the sum to be paid to ITU by the SHIF.
72. Since it was not possible to reach an agreed solution with the ILO, the two organizations entrusted the decision of the dispute to an arbitrator. The results of the arbitration were issued in July 2018. These were favourable for ITU, which received from ILO an amount of USD 9.4 million. This sum was allocated to the guarantee fund of the CMIP.

Employee benefits: Staff Superannuation and Benevolent Funds (ITU closed Pension Funds)

73. As in previous years, an amount of 54 KCHF was recorded in the accounts at closure; it relates to benefit obligations in the form of pensions payable to former staff members under the Staff Superannuation and Benevolent Funds (see also paragraph 159).

NET ASSETS

74. Net assets comprised allocated and unallocated own funds, extra-budgetary funds, the non-budgetary result, the surplus/deficit for the financial year and the effects of the transition to IPSAS. In 2018, Net Assets resulted in a negative value of -395.2 MCHF, a decrease as compared with -482.5 MCHF in 2017.

75. All the movements in Net assets are explained in various Tables and Notes in the Financial Operating Report, in particular:

- a) Table II “Statement of financial performance”, which shows the deficit for the period (-8.0 MCHF).
- b) Table III “Statement of changes in net assets”, showing the movements separately for each own fund, and IPSAS effects.
- c) Table V “Comparison of budgeted amounts and actual amounts”, which also discloses the accounting reconciliation between budget out-turns (actual amount) and amounts recognized in the Financial Statements (in this regard, see also Note 26).
- d) Note 2 “Main accounting principles” in the paragraph related to the “recognition of Funds”, in particular the sub-paragraph on “Allocated third party funds”, and the paragraph related to the “Reserve Account”.
- e) Note 3 “Management of net assets”, which lists the movements in the Reserve Account.

STATEMENT OF FINANCIAL PERFORMANCE 2018

76. This Statement shows the Organization’s operating and financial revenue and expenses classified, disclosed and presented on a consistent basis in order to explain the year’s net deficit or surplus. The result for the period was a deficit of -8.0 MCHF.

Revenue and Expenses

77. Total revenue amounted to 176.4 MCHF, a decrease of 2.1 MCHF (-1.2%) as compared to 2017 (178.5 MCHF), mainly due to decreases in Voluntary contributions (-3.4 MCHF, -32.5%) and Other operating revenues (-2.5 MCHF, -5.6%), particularly regarding Publications and Satellite Network filing. Assessed contributions, amounting to 125.2 MCHF, on the contrary, increased from 2017 (+2.8 MCHF, +2.3%). The proportion of assessed contribution in relation to the total revenue amounted to 71% in 2018 (it was 68.6% in 2017). The detailed breakdown of revenues is reported in Note 22 to the Financial Operating Report.
78. Expenses totalled 184.36 MCHF, a decrease of 11.25 MCHF (-5.8%) as compared to 2017 (195.61 MCHF). Employee expenses, 148.8 MCHF, in 2018 represented 80.7% of total expenses, a higher proportion than 2017, when they represented 76% of total expenses, as reported in Note 23 to the Financial Operating Report.

Publications sales

79. Revenue from the sale of publications in 2018 amounted to 13.86 kCHF. This is 27% lower than budgeted due to the unique schedule of the ITU maritime service publications, which represent the vast majority of ITU sales revenue. This unsatisfactory result is unlikely to be repeated, however, as the release of two new editions in 2019 has been confirmed and more revenue is expected thanks to these ITU Publications. The high budget projections for revenue in 2018 should have taken this unique scheduling into consideration.
80. In 2018, five new resellers signed Distributor Agreements with ITU to increase the dissemination of maritime service publications. In addition, the availability of ITU titles via new platforms such as Amazon and iBook continued, increasing the visibility of ITU Publications.
81. Anti-counterfeit measures such as the ITU hologram, the watermark and the voluntary self-registration via a unique-per-unit QR code continued for ITU maritime service publications. Personalized communications with simplified instructions to over 130 classification organisations, over 500 individual inspectors and all resellers resulted in an 11% increase over the previous year in unit registrations received from end-user scans of QR codes and the total units of List V Ship Stations sold in 2018 were above average thanks to these added efforts.

Expenses for international cooperation and technical assistance: the rationale for qualifying the Opinion and urgently needed action for enhancing internal controls and minimizing the risk of misstatement or financial loss

The audit of key controls revealed significant weaknesses in specific areas

82. We used the knowledge gained during our routine audit work and during our audit of the Regional Offices, to identify, in relation to international cooperation and technical assistance, those weaknesses that could lead to material loss or misstatement and lower our level of assurance in expressing an unmodified opinion. Our purpose is to put forward some useful suggestions and recommendations to improve the current internal control system.
83. Therefore, our Audit focused not only on the Management's process for identifying and responding to a specific fraud case (as also stated in the "Introduction" paragraph at the beginning of the Report), but also on the environment in which the fraud occurred and the effectiveness of the internal control system that Management has established to mitigate the risks identified.
84. To this end, and also in accordance with ISA 330, paragraph 6, which states that "the auditor shall design and perform further audit procedures whose nature, timing and extent are responsive to the assessed risks of material misstatement due to fraud at the assertion level (Ref: Para. A37–A40)", we examined, in particular, the existing framework at HQ and at the regional level in the following four areas:
- Procurement and projects (and related purchase orders);
 - Cash (in-hand) management;
 - Duty travel (costs, relevant documentation and links to Offices' objectives);
 - Human resources (including external consultants).
85. Our audit, carried out both at HQ and Regional and Area office level, revealed a number of significant shortcomings in the internal control system for each of the areas examined, with particular regard to risk management and controls; these will be illustrated in the following paragraphs.

• Procurement and Projects

86. Procurement and Projects are part of the expenses recorded in the Statement of Financial Performance as "Contractual Services", "Rental and maintenance of

premises and equipment”, “Equipment and supplies” and “Shipping, telecommunication and services expenses”.

87. It is worth mentioning that we had already issued recommendations on Procurement, Projects and related Purchase Orders. These are summarized in Table 2, which compares all the recommendations issued by the Internal Auditor and the External Auditor.
88. In our previous reports we had also recommended adopting a Procurement Manual and the relevant policies and procedures (Recommendation 4/2016) but, at the time of the audit, the ITU’s procurement was still ruled by the following acts:
- Service Order 14/06 "Rules and procedure governing the placement of contracts";
 - Basic Rules for Procurement of Equipment for IT Technical Cooperation and Assistance Projects, as approved by the Administrative Council in 1968 and the Manual on Administrative Procedures for the application of the above-mentioned Basic Rules as established by the Secretary General in 1968 and up-dated in 1987 and 1991 for entry into force in January 1992.
89. At the time of our audit, the choice of the rules to be applied depended on the type of funds allocated to a specific purchase: Service Order 14/06 for procurements under the ITU Regular budget and the Basic Rules for the implementation of technical assistance projects under the United Nations Development Programme (UNPD) and the Funds-in-Trust arrangements.

Procurement below 20,000 CHF/USD need to be monitored effectively

90. In 2018, it was current practice at ITU (under SO 14/06), for Purchase Orders below 20,000 CHF/USD, both at Headquarter and Regional/Area Office, that the staff involved in the procurement could seek quotations directly from only one vendor. Once a Shopping Cart had been received, the Procurement Division was involved in the creation and approval of a Purchase Order.
91. In our view, this procedure, which had been applied for a number of years, exposed ITU to a significant risk, due to the fact that the requesting unit (or the Project Manager) had direct contact with the vendor to be selected, without any oversight by either the Procurement Division, the Regional Director, or BDT officials in HQ.
92. Furthermore, since we detected cases where Purchase Orders below CHF/USD 20,000 were granted to the same supplier, there is a significant risk that a number of Purchase Orders (POs) under the given threshold (and the relevant

expenditure incurred), both at Headquarter and Regional/Area Offices level, might have referred to a single contract above the threshold: it is to say that the contract might have been fraudulently split into several contracts of less than CHF/USD 20,000, in order to avoid competition among vendors and not to apply the competitive procedure set out in SO 14/06.

93. We take note that, on 1 April 2019, following approval by the Management Coordination Group (MCG) on 5 March 2019, new Procurement Procedures were introduced on a trial basis under the framework of the current SO 14/06.
94. As reported by Management, under the new procedures the practice of seeking quotations directly from one vendor for POs below 20,000 CHF was discontinued, and now one-vendor quotations may only be sought for POs up to 5,000 CHF.
95. In addition, Shopping Carts (SCs) below CHF 5,000 (now defined as “low value procurement”) must be forwarded with an attached quotation, up to a maximum of CHF 20,000 per vendor per calendar year.
96. SCs above CHF 5,000 must be forwarded with an estimated amount and a description of the goods and/or services required, without an attached quotation. Procurement will then request offers from at least 3 qualified vendors, unless one of the waiver justifications apply. In these cases, a Waiver Request Form must be attached to the SC along with a quotation. If the requesting unit proposes a vendor, a Declaration of Absence of Conflict of Interest must be attached to the SC.
97. We will monitor the implementation of the new procedures in the context of our future audits. However, it has to be noted that the new rules currently only apply to the regular budget (SO 14/06) and do not yet apply to the implementation of technical assistance projects under the United Nations Development Programme (UNPD) and Funds-in-Trust arrangements.

Recommendation n. 3

98. We recommend that: (i) the new Procurement Procedures in force since April 2019 for low value procurement and for procurement below CHF/USD 20,000 should also apply to the implementation of technical assistance projects under the United Nations Development Programme (UNDP) and Funds-in-Trust arrangements, and that (ii) Management should monitor effectively all Purchase Orders below the threshold of CHF/USD 20,000.

Comments by Secretary-General

This recommendation is already implemented. While it was not explicitly stated in the new procedures in force since 1 April 2019, it has been implicitly understood and introduced to all internal stake holders at ITU as applying to all procurement cases which fall under these procedures irrespective of funding source, and it is as such that it has been applied since 1 April 2019. In order to ensure that no doubts remain in this regard, the text of the new procedures has been updated to state that these apply irrespective of funding source.

99. We acknowledge that the new Procurement Procedures in force since April 2019 provide for a maximum of CHF 20,000 per vendor per calendar year; however, currently there is no automatic way to actually monitor if the yearly threshold of CHF 20,000 per vendor is not exceeded.

Recommendation n. 4

100. We recommend that Management update the ITU SRM software in order to allow the automatic monitoring of the POs or contracts above CHF 20,000 per vendor per calendar year.

Comments by the Secretary-General

We take note of this recommendation. Today, online reports from the ERP system are available including "Purchase orders including total amount per vendor".

Procurement at Regional level

101. During our audit we observed that there were no written guidelines on how the selection of the supplier(s) should be performed by the Project Manager. We found that the whole process for selecting suppliers was currently managed by just the Project Manager without approval by the Regional Director: this includes all key aspects, like the preparation of the TOR/TS, the invitation of supplier(s) and the selection of the preferred supplier. Once the supplier has been selected, the Project manager sends an email to the staff member in the Regional Office, responsible for preparing the Shopping Cart to be sent for approval to the Procurement Division at HQ, which issues the relevant Purchase Order.

Recommendation n. 5

102. We recommend setting up guidelines that cover all aspects of the process for selecting suppliers. The procurement process should be reviewed by the Regional Director and the preferred supplier approved by the Regional Director.

Comments by the Secretary-General

In light of the introduction of the new procurement procedures on 1 April 2019, there may be a need to revise this recommendation.

103. **Our response.** Management reported that, in accordance with the new procurement procedures introduced on 1 April 2019, the Project Manager will only be involved in low value procurement below CHF 5,000 per transaction, with an annual threshold of CHF 20,000. Above CHF 5,000, the Shopping Cart will be sent to PROC for bidding to be carried out by PROC, provided no waiver applies. This way, the Project manager will no longer be involved in bidding (inviting suppliers), as was the case in the past. We will monitor the implementation of the new procedures in the context of our future audits. We note that the Regional Director has no role in the new procedure; we think that consideration should be given to his/her position as a key figure in the framework of internal controls.

104. In addition, it has to be noted that the system currently in use at ITU is set up in such a way that, even if the Project Manager organises a procurement procedure with several suppliers, he receives all offers in his personal ITU email, viewing them as soon as they arrive in the mailbox; therefore, in theory (and this has already happened), the staff can scrutinize the offers received and instruct their “preferred supplier” on how to present its bid and offer the lowest price.

Recommendation n. 6

105. We consider that, allowing the Project Manager to access the mailbox where offers are collected might have influenced previous procurement procedures, and we also stress that there is a high risk of bid rigging. Therefore, in order to improve controls, we recommend that the staff/Project Manager should only have access to the offers received after the deadline for presenting them (for example, by establishing that bids be sent to the Procurement Division and forwarded to the Project Manager after the deadline).

Comments by the Secretary-General

In light of the introduction of the new procurement procedures on 1 April 2019, there may be a need to revise this recommendation.

106. **Our response.** Management highlighted that, with the new procurement procedures, Project Managers in regional offices will typically only seek quotes for low value procurement. For above CHF 5,000, PROC seeks quotes through competitive bidding, unless a waiver applies. We will monitor the implementation of the new procedures in the context of our future audits. We underline that our observation was related to all procurement procedures, irrespective of any threshold.

107.

Requesting Shopping Carts

108. As mentioned above, during our audit of the Bangkok Regional Office and the Jakarta Area Office, we noted that all Shopping Carts were prepared by only one staff member and that it is therefore impossible to automatically identify the name of the requisitioner.

Recommendation n. 7

109. We recommend that the Procurement Division introduce a system where the requisitioner of the PO is immediately and automatically identified.

Comments by the Secretary-General

Agreed, the staff member creating the shopping cart will be instructed to create the shopping cart using the standard functionality: “on behalf of the requester”. Automatic email notification to the requester will be implemented.

Conflict of interest and financial disclosure in the procurement process

110. We take note that the new Procurement Procedures, in force since April 2019 envisage, for SCs above CHF 5,000, that, if the requesting unit proposes a vendor, a Declaration of Absence of Conflict of Interest (DACI) must be attached to the SC.

111. However, in our opinion, even for SCs below this threshold a DACI should be signed by the staff involved in the procurement process, stating that they do not have any conflicts of interest that may affect the procurement.

Recommendation n. 8

112. Therefore, we renew our recommendation n. 9/2017 and we recommend that a Declaration of Absence of Conflict of Interest (DACI) be signed by the staff involved in the procurement process, for all procurements, regardless of the threshold.

Comments by the Secretary-General

ITU maintains its position that only key staff in the procurement process shall sign the DACI. This recommendation is partially implemented as of 1 April 2019. Since this date every time that a requesting unit proposes a vendor for a case above CHF 5,000, he/she signs a DACI.

113. According to Service Order n. 11/03, ITU staff must file a financial disclosure statement with the Ethics Office every year. However, there are no procedures in force at ITU to allow the verification of the accuracy and truthfulness of the information contained in financial disclosure statements and declarations of absence of conflict of interest.

Recommendation n. 9

114. In view of the above, we recommend setting up a procedure for randomly checking a sample of Statement of financial disclosures and Declarations of absence of conflict of interest every year, in order to verify the truthfulness of the information declared by individual staff.

Comments by the Secretary-General

Service Order 11/03 of 22 February 2011 is instructing the Ethics Officer to provide confidential guidance and advice to all staff members in respect of their financial disclosure as well as to draw their attention to any conflicts or potential conflicts of interest evident in financial disclosures. This implies that the Ethics Officer is not only the recipient and the custodian of those Financial Disclosure but also that she/he controls that the declaration is complete and is also reviewing the submissions to assess whether follow-up is required to address any potential conflicts. Should the Ethics Officer concludes that the declaration may contain simple issues that cannot be resolved through a request for clarification to the staff member concerned, but may be qualified as being intentionally inaccurate or false information, or is suspecting a potential case of conflict of interest, or a situation or action revealing a potential misconduct, wrongdoing or proscribed practice or behaviour, the case can be investigated in accordance with the investigation guidelines published in Service Order 19/10 of 2 May 2019 recently published.

Lack of internal control oversight at Regional and Headquarter level for procurement

115. There is no oversight control by the Regional Director on the procurement activities carried out by Project managers. For example, he/she does not review/approve the selection of suppliers and the related Shopping Cart. After the execution of contracts and before payment, there is no authorization by the Regional Director declaring that the delivery of the products/services executed is in line with the contract awarded. This authorization is usually sent to HQ by the staff member who selected the vendor. Therefore, everything is “handled” by the Project Manager, resulting in another possible conflict of interest.
116. Generally speaking, there is no “effective system of internal control”, explaining the role and the responsibilities of the Regional Director (for all the Regional and Area offices).

Recommendation n. 10

117. Therefore, we recommend setting up a guideline indicating how and to what extent the Regional Director should be involved in the purchase process and what checks should be performed at the HQ level before authorizing payments.

Comments by the Secretary-General

ITU agrees to review the role of the Regional Director in the procurement and payment process. An internal working group to strengthen internal controls has been set up by the BDT Director. The group includes staff from BDT, FRMD (finance, procurement), Legal, HRMD, Ethics and Information Services Department. The group's terms of reference include, among other things, the review of weaknesses in various processes and findings of Internal Audit and External Audit reports and the preparation of an Action Plan to ensure that any deficiencies and associated risks are mitigated.

118. As stated above, there is no specific rule involving the Regional Director in the payment process, in its monitoring and in the assessment of compliance with contractual requirements after contract execution and before payment. During our audit, we also detected that there were no specific procedures and/or checklists requiring a standardised ex-post assessment of the effectiveness of every project by the Regional Director or by HQ.

Recommendation n. 11

119. Therefore, we recommend setting up a standardised monitoring system, through checklists or IT guided tools, indicating how the regional Director and BDT should be effectively involved in the ex-post assessment of the effectiveness of the expenditure.

Comments by the Secretary-General

ITU has taken note of Recommendation 11 and will further study the effective involvement of Regional Directors in the assessment of the effectiveness of ITU expenditures for respective regions.

• **Cash management**

Lack of internal control oversight at Regional and Headquarter level for cash management

120. With reference to cash management, we observed that the introduction of a standardised form for reporting petty cash expenditure is recent. A specific form must be filled in by ROs and AOs in relation to petty cash, with three signatures for internal control purposes.

121. Despite the presence of this standardised form, which is forwarded to FMRD, there is no Regional Operating Manual for monitoring the appropriateness of this expenditure and for providing a consistent procedure worldwide in order to ensure effective cash management.

Recommendation n. 12

122. Therefore, also in order to enhance the internal control system at regional level, we recommend that ITU set up specific guidelines or, according to best practices, publish a detailed Regional Operating Manual, where all processes, like cash management, assets register etc., are standardised through specific procedures and checklists, in order to guarantee an effective internal control system at the regional level.

Comments by the Secretary-General

We take note of this recommendation. The guidelines related to Regional/Area office already exist. FRMD and BDT/ADM will do a full review of this guidelines to improve the processes and the internal control. An internal working group to strengthen internal controls has been set up by the BDT Director. The group includes staff from BDT, FRMD (finance, procurement), Legal, HRMD, Ethics and Information Services Department.

123. Despite the three signatures in the form listing all monthly petty cash expenditure for reporting to FRMD, in the absence of specific guidance (such as a Regional Operating manual), a range of various items of expenditure has always been authorized without proper justification and without evidence of regular monitoring by the Regional Director. In relation to cash management, FRMD told us that some additional checks are performed at HQ; however, Management agreed with us that more guidance is needed on this specific issue.

124. Our audit revealed that, in one specific Regional Office, the Director authorised expenditure on items, such as consumables and assets, which might have been rejected by another Regional Director.

Recommendation n. 13

125. In order to improve the internal control system at Regional level, we recommend that Management formulate a specific and detailed list of expenditure that can be authorized, or excluded, by Regional Directors.

Comments by the Secretary-General

This recommendation will be taken into consideration during the review of the guidelines.

126. Furthermore, FRMD procedures require that Regional Directors perform unannounced checks in Area Offices for petty cash expenditure. We did not find any reports on such checks in any of the Regional Offices visited.

Recommendation n. 14

127. In order to enhance the internal control system at Regional level, we recommend that Regional directors perform unannounced checks on the petty cash register in Area Offices and keep the audit trail of their checks in a standardised form that should be immediately transmitted to HQ and FRMD.

Comments by the Secretary-General

We take note of this recommendation but would like to outline the fact that the petty cash are already monthly controlled and signed by the head of before being submitted to HQ. In line with Rec. 12 from the 2018 Special Report on Strengthening the Regional Presence, the feasibility of unannounced checks will be further investigated.

• **Duty travel**

Lack of internal control oversight at Regional and Headquarter level for duty travel

128. Although several procedures, like SO 18/08 on the Processing of the travel authorization and SO 18/07 for the delegation of signatures of approval for all ITU Staff, detail the steps for obtaining authorization for duty travel, during our audit we found that a significant number of duty trips were authorized without any comments by the supervisors responsible at BDT, whereas they should, at least, have been screened by the Regional Director and/or BDT Management at HQ for their programmatic and/or technical aspects. For the financial aspects linked to the reimbursement of travel costs, which, instead, it is under the remit of FRMD, we did not detect any major misstatements or errors in the calculation of allowances or terminals in our sample.

129. On the contrary, in our sample, we observed frequent requests for duty travel to the staff home countries, significantly more than the official trips performed to other countries under the geographical remit of the Regional and Area Offices concerned: we did not find any evidence that these duty trips were ever challenged by the Regional Director or by the official with a supervisory role at BDT HQ.
130. We also stress that, in our Special Report *«Is it possible to measure the Regional Offices' contribution towards the objective of "strengthening the regional presence"?»*, recommendations n. 1 and 2 highlighted the urgent need of establishing "Specific and measurable Objectives followed by accurate indicators". This absence of consistent and accurate indicators linked to specific and measurable objectives in BDT corroborates the finding that, in relation to duty travel too, there is no effective system of specific indicators, which could allow Regional Directors or Management with a supervisory role at HQ to monitor BDT staff's on-the-spot missions effectively both at HQ and Regional level. FRMD confirmed that there is not a system of indicators to allow them to monitor BDT's activities better. They also reported to us that, even where there are objections based on budgetary reasons, actions can be implemented anyway, by finding alternative sources of funding.

Recommendation n. 15

131. In order to enhance the effectiveness of the controls over duty travel related to the regional presence, we recommend setting up effective programmatic and technical monitoring through accurate, robust and consistent performance indicators, to assess whether the duty trip concerned is necessary for ITU, with the possibility of having an independent unit/body that will assess whether the duty trip has achieved its planned objectives.

Comments by the Secretary-General

ITU has taken note of Recommendation 15 and will study further enhancements in the monitoring of duty travel. Please note that every mission request form for BDT staff is submitted for approval to the supervisor, including Regional Directors. The approved mission request form is compulsory for raising an electronic travel authorization.

Recommendation n. 16

132. Given that the fact that ITU staff frequently travel to and implement projects in their home countries may be a potential impairment for ITU independence with regard to Member States, the fact that ITU staff are travelling frequently and implementing projects in their home country, we recommend that, in order to avoid possible conflicts of interest, the Regional Directors and HQ should give careful consideration before sending staff on duty travel to their home countries, and at the same time monitor all duty travel adequately.

Comments by the Secretary-General

ITU has taken note of Recommendation 16 and will take it under review.

• **HR management**

133. In relation to HR management, there is no effective monitoring of the objectives assigned to field staff, either by the RD at the local level or by independent reviewers at HQ. We believe that the fact that field offices do not have specific objectives (see also above, paragraph 130), derived from strategic objectives and provided with reliable indicators, is a major obstacle to carrying out a meaningful assessment of their individual performance. This provides new arguments for the conclusions drawn in our Special Report on the measurability of the performance of local offices, presented to the Council in October 2018.

134. The process for recruiting consultants is also poorly managed and controlled. Again, we found that the numerous steps leading to the job description, the subsequent selection of experts and the final evaluation of deliverables, were only formal, and everything could actually be handled by the Project Manager alone. The entire process should be revised. Amongst the prerequisites for a more substantive control, we have identified the need for a preliminary screening of the roster of experts, the mandatory consideration of alternative options and better ex-post evaluation of the work done, performed by people other than those who awarded the job.

Recommendation n. 17

135. In our opinion, action needs to be taken in each of the areas considered. Without prejudice to more detailed observations and recommendations being put forward at a later stage, we recommend that Management urgently enhance the level of internal control over HR, in particular with regard to hiring consultants, through a system involving the monitoring of their activities through key performance indicators and the adoption of specific operating Manuals, guidelines and checklists that could help assess the need to hire consultants and, ex-post, their evaluation.

Comments by the Secretary-General

Field Staff are subject to the same policy and procedure related to performance management and development, as established in Service Order 18/06 of 19 April 2018. That policy includes as a core principle the alignment of individual objectives with organizational objectives as established in the sectorial operation plans.

As to the effective monitoring of the objectives assigned to the field staff, in the course of the design and implementation of the new performance evaluation system (E-PMDS), the HR Management Department has been working on reinforcing the establishment of work objectives through the development of stronger descriptors associated with those objectives (description of the objectives, related activities, KPIs, timeframe, partners and resources and constraints).

With regard to the reinforcement of the recruitment and management policies procedures of consultants and experts, the HRM Department and BDT are working on the development of stronger procedures, also taking into consideration the recommendations established by the JIU in its ITU Management review as well as the recommendations made by the Internal Audit Unit. HRMD has been working on undertaking a “cleaning” exercise of the existing roster, which will include checking academic credentials and references of all candidates. HRMD is in contact with the UN regarding use of the newly created UN References check Centre in Bonn.

Prompt implementation of the Internal and External Auditors' recommendations could reduce the reputational and fraud risks

136. As already stated above, if properly implemented, some of the recommendations set out in our previous reports could reduce the risk of fraud and reputational damage.
137. This is particularly the case for procurement: see our Special Report on the performance of local offices, recommendations n. 15 (adoption of a new Procurement Manual covering both the regular budget and the extra-budgetary funds), n. 21 (training for all field staff involved in the procurement process) and n. 7 (enhanced role for ITU in the evaluation of the projects). See also our Financial Report recommendations n. 4/2016 (adoption of a Procurement Manual + guidance to all staff members involved in the various stages of the procurement process), n. 5/2017 (better controls on Purchase orders/contracts repeatedly awarded to the same supplier), nn. 5/2016 and 7/2017 (guideline for procurement cases below 20,000 CHF) and n. 8/2017 (proper documentation of the procurement process). We also raised concerns on the risks for transparency introduced by the fact that some clauses left room for Member States to interfere with the procurement process (see again our Special Report, paragraphs. 116-117). Many of these observations were shared by the Internal Auditor.
138. It is worth mentioning that, after the end of the investigation on the fraud case, in April 2018, and at the conclusion of the disciplinary process against the staff member who had perpetrated the fraud (January 2019), in April 2019 the Internal Auditor prepared an internal Management Letter to the SG, in order to indicate what should be the most adequate procedure to enhance the level of the internal control system and, at the same time, reduce the level of fraud and misstatement risk. We stress that several of the issues raised by the IAU could have been avoided if our past recommendations had been promptly implemented by ITU Management. In order to facilitate the analysis, we have listed, in the synoptic table below, most of those of our and the IAU's recommendations that could be considered aligned.

Table 2

Comparison between the Internal Auditor Management Letter
SG-SGO/IA/19-09 and the External Auditor's previous recommendations
in the long form and special reports

INTERNAL AUDITOR'S MANAGEMENT LETTER SG-SGO/IA/19-09	EXTERNAL AUDITOR'S PREVIOUS RECOMMENDATIONS IN THE LONG FORM AND SPECIAL REPORTS
Internal Auditor's recommendations on the outdated procurement procedures for projects / Funds-in-Trust	External auditor's previous recommendations on the same subject
<p>01/19-09/ML It is recommended that FRMD/PROC Division in consultation with the Director, BDT, reviews the relevance and validity of -as well as the risk containment by- the Basic Rules for procurement of equipment for I.T.U technical cooperation and assistance projects.</p> <p>02/19-09/ML To ensure greater procurement transparency and accountability, IA recommends the use of a single procurement method across the Union by Chief, FRMD issuing the expected ITU Procurement manual immediately.</p> <p>03/19-09/ML It is recommended that Head, FRMD/PROC implements a cumulative vendor payments monitoring on a consistent timely basis as part of the check to ensure small amounts are not escaping under any set thresholds of review.</p>	<p>Report n. C17/40-E Audit of Financial Statements for 2016 Recommendation n. 4 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.</p> <p>Recommendation n. 5 We therefore recommend that ITU introduce a written procedure to be followed by ITU's staff for procurement cases below CHF 20.000.</p> <p>Suggestion n. 2 Furthermore we suggest that ITU should revise the threshold for soliciting a minimum of three quotations to guarantee the sound financial management of the process.</p> <p>Report n. C18/40-E Audit of Financial Statements for 2017 Recommendation n. 7 We recommend that PROC should prepare Guidelines covering all aspects of the procurement process below 20 KCHF to be communicated to the staff concerned. For instance, the Guidelines should consider the following: 1) which are the minimum elements of the requisitions; 2) how potential suppliers shall be identified; 3) that bidding is required and a minimum number of quotations is sought, unless properly justified by the client/requisitioner and previously approved by PROC; 4) how the evaluation of the quotations shall be performed; 5) how the Purchase Order/Contract shall be awarded.</p> <p>Recommendation n. 8 We recommend that all procurement process (from the tender dossier to the contract awarded) should be</p>

	<p>properly documented so as to ensure accountability, transparency and auditability.</p> <p>Recommendation 9</p> <p>We recommend that a Declaration of Absence of conflict of interest (DACI) should be signed by the staff involved in the procurement process stating that they do not have any conflict of interest that may affect the procurement process.</p> <p>Report C18/125-E</p> <p>Special Report on Regional Presence</p> <p>Recommendation 15</p> <p>We recommend that, since the Basic Rules are obsolete, ITU should adopt a new Procurement Manual covering both the regular budget and the extra-budgetary funds.</p> <p>Recommendation 17</p> <p>We recommend that the Evaluation Group should be set up by the Procurement Division, in accordance with the Project Management Guidelines, chapter 4.2.2, point c), which states that the whole process for the procurement of goods and services is the responsibility of the Procurement Division.</p> <p>Recommendation 18</p> <p>In order to minimize risks for ITU, we also recommend that the Project Manager should not be appointed as a member of the Evaluation Group and that the Procurement Division should be the Coordinator of the Evaluation Group rather than the Project Manager.</p> <p>Recommendation 19</p> <p>In line with recommendation n. 11 of our Long-Form report on the audit of ITU's financial statements for 2016, we recommend that a specific and detailed Declaration of absence of conflict of interest (DACI) should be provided duly signed by all the people involved in the procurement process.</p> <p>Recommendation 20</p> <p>Since we do not consider that the Project Management Guidelines, which should be directly and clearly linked to Procurement Rules, are sufficiently detailed, we recommend amending the Project Management Guidelines in order to better explain the role of the Procurement Division and make reference to the rules and procedures applicable to procurement.</p>
<p>Internal auditor's recommendations on the lack of fraud awareness among PROC staff</p>	<p>External auditor's previous recommendations on the same subject</p>
<p>04/19-09/ML</p> <p>It is recommended that Chief, FRMD organizes for PROC staff awareness training on the vulnerabilities and risks associated with fraud schemes that ITU could be exposed to.</p> <p>05/19-09/ML</p>	<p>Report n. C18/40-E</p> <p>Audit of Financial Statements for 2017</p> <p>Recommendation n. 5</p> <p>We recommend that Management improve controls on Purchase Orders/Contracts repeatedly awarded to the</p>

<p>It is recommended that the Chief, HRMD, includes in the standard ITU Staff mandatory training a module on fraud awareness and schemes.</p>	<p>same supplier in order reduce the risk that ITU procurement rules and procedures being bypassed or not correctly applied.</p> <p>Report n. C18/40-E Audit of Financial Statements for 2017 Recommendation n. 6</p> <p>We recommend Management to update the ITU SRM software to allow the monitoring of Purchase Orders/contracts executed in case of waiver of competition.</p> <p>Report C18/125-E Special Report on Regional Presence</p> <p>We recommend organizing regular training for all staff involved in the procurement process in the Regional Offices and Area Offices.</p>
<p>Internal auditor's recommendation on the Ineffective oversight role at the level of the regional office</p>	<p>External auditor's previous recommendation on the same subject</p>
<p>06/19-09/ML</p> <p>It is recommended that the Director, BDT strengthens the oversight at the regional office level by providing more details on the roles, responsibilities and accountabilities of the Regional Directors and holds them accountable for those oversight responsibilities (with the right balance between trust and accountability).</p>	<p>Report C18/125-E Special Report on Regional Presence Recommendation n. 13</p> <p>In relation to bank operations, we recommend that a strict procedure should be implemented for all the ROs, whereby the third signature for bank operations should be provided by the RD, even where the operation is carried out at Area Office level. The RD can thus be held responsible for all the transactions with banks. In our view, a revision of the procedure with UNDP is also necessary in order to avoid the personal accounts of staff members being involved in any ITU operations.</p>
<p>Internal auditor's recommendation on the Ineffective oversight role at the level of the regional office</p>	<p>External auditor's previous recommendation on the same subject</p>
<p>07/19-09/ML</p> <p>It is recommended that the Director, BDT strengthens the oversight at the project levels by a fine-tuned defining of the roles, responsibilities and accountabilities of staff in the project management cycle before, during and after its implementation.</p>	<p>Report C18/125-E Special Report on Regional Presence Recommendation n. 11</p> <p>For accountability purposes, we recommend preparing a document summarizing all the delegations of authority, be they internal (who must sign what) or external (authorization for signature, such as bank movements and internet banking with the respective lines of responsibility).</p>
<p>08/19-09/ML</p> <p>It is also recommended that the Chief, HRMD, in collaboration with the Director, BDT promptly implements the recommendations as per the inspection report of IA from 2016, including the introduction of competitive procedures for selection of consultants.</p>	

<p>09/19-09/ML</p> <p>It is recommended that the Chief, HRMD in collaboration with the Director, BDT re-enforces the evaluation system/process applicable at the end of each SSA consultant's mandate. This should include introducing at least a two level sign-off (meaning the direct supervisor/recipient of the SSA services and a hierarchical manager of that supervisor) as well as a documented "blacklisting" of those SSA individuals whose performance was not satisfactory.</p>	
<p>10/19-09/ML</p> <p>It is also recommended that the Director, BDT in collaboration with the Chief, HRMD establishes the pre-checked talent roster principle by compiling and maintaining a living active up to date roster of valid SSA candidates with pre-checked CV's confirming proven histories of viable experience/academic qualifications.</p>	
<p>11/19-09/ML</p> <p>It is also recommended that the Director, BDT ensures that work of experts is verified by the concerned Head of Department or Regional Director and stored in a database where it can be accessed with a view of ensuring that the hiring manager and hierarchical supervisor are accountable and confirming that the report is of the required quality.</p>	

Recommendation n. 18

139. We recommend that Management take urgent action to implement the open recommendations by the IA and EA relating to regional activities, with particular regard to Procurement.

Comments by the Secretary-General

ITU takes note of this recommendation.

140. Based on the above circumstances, we consider it necessary to continue to evaluate the effectiveness of the measures taken by Management to enhance the fraud prevention and deterrence framework in Regional and Area Offices. We reserve the right to report in more detail on the results of our audits at a later stage.

PERSONNEL

Further efforts needed to update administrative data and stabilize the HR ERP system

141. As part of our checks on personnel, we reviewed the accuracy of a number of payslips against the relevant remuneration package and we sought evidence in personal files for any allowances granted. Our sample included a number of randomly selected staff members in the G and P categories at ITU HQ and field offices, with appointments of both indefinite and limited duration, plus a judgmental sample drawn from last year's audit files.
142. In our last year's long-form report, we had identified the existence of a backlog in the updating of the administrative data supporting the allowances paid, which affected around one hundred members of staff.
143. Our sample this year showed that, despite the efforts deployed, there still was a non-alignment between the allowance paid and the documentation in the files proving fulfilment of the eligibility conditions. We found a number of instances where the last updating had occurred in 2017, and in one case even earlier. Management reported to us that most of the work had been carried out with regard to the fixed-term staff (around 50% of the population concerned) and with reference to the years 2018 and 2019. However, this task was assigned to the staff (four permanent, plus one short-term staff members) on top of their ordinary functions, and not on a specific project with dedicated workforce. As a result, the clearance of the previous backlog has been partly offset by a new backlog. Furthermore, there is no automated alert system reminding the staff to provide the necessary information, so the evidence provided by individual members is more the result of occasional events than regular checks. It is hardly necessary to point out that ex-post checks may give rise to retroactive recoveries and corrections, which affect the position of the individual members of staff and are a source of additional administrative work.
144. Whilst acknowledging that some organizational measures have been taken to address the issues that emerged last year, in particular with regard to the enhancement of the payroll section, we also again noted the persistence of issues related to the manual processing of some information in the SAP platform. This has been going on since 2017, when the new compensation package for staff in the professional and higher categories was introduced. In 2018, the new educational grant package was added, and new issues emerged. After more than two years, the automated data processing is not yet fully operational. A

requirement list has been drafted by HR, with 61 items (out of which 36 were given priority 1), based on issues/bugs that emerged since the 1st January 2017. A new project, called HRMD Enhancements 2019-2020 was launched to fix those issues in the current SAP HRMD modules, which also include interfaces with external systems, such as the UN Pension Fund and Cigna. However, at the time of our visit, the implementation rate was very low and most of the tasks were still lagging behind or had not even started. Manual entries and adjustments (relating in particular to child allowances, rental subsidies and service data for the pension scheme) continue to be needed. This entails risks of error, an unstable work mode and unpredictable delays. In our opinion, the number of staff members assigned to this task in-house (2.5 people from the Information Service plus 1 officer from HR) is not adequate to ensure prompt implementation. Given that the information originated by the system is widely disseminated throughout the ITU, the stabilization and securitization of the system are a key prerequisite for any further steps, including those of a strategic nature.

Recommendation n. 19

145. With a view to remedying promptly the issues that were detected long ago, we reiterate our recommendations to the effect that, in order to prevent the risk of inaccuracies and delays in data processing, Management should:

1) implement extraordinary measures to clear the backlog in personal files and update them all within as short a time as possible, giving high priority to this task;

2) take urgent action, including through investment in external services, to enhance the HR ERP system and solve the issues/bugs identified in the implementation plan within an established timeframe.

Comments by the Secretary-General

The recommendation is supported.

Organizational measures have been taken in the HRM Department for clarifying the responsibilities in the area of the determination of entitlements and their processing, and reinforcing the human capacities. A review of related business processes is also undertaken for streamlining them and reinforcing the quality control through a better segregation of responsibilities in the HRM Department.

In addition, from a system point of view, HRMD and the IS Department launched in the beginning of 2019 a 2 years HR-enhancement project which will address several of the above mentioned deficiencies in ERP system.

Secondly, the DSG has established a Task Force to automate (self-services) and digitize manual forms used by staff in their interaction with HRMD concerning benefits, entitlements, pension, insurances etc.

Accelerating the movement towards effective HR management

146. With regard to strategic issues, following the high-level decisions laid down in Res. 48 (Rev. Dubai, 2018), the Human Resources Strategic Plan 2020-2023 was developed, based on the four Pillars of the ITU People Strategy (January 2019), which set out the major HR priorities and goals, in line with the institutional strategy of the Union. This was preceded by a consultative process, involving all the relevant stakeholders (Bureaux/Departments and Staff Council), which aimed to identify the specific needs of the various Sectors and share inputs for enhancing the concept of “one ITU” in a challenging environment. The HRMD will be the enabler of the process, which is accompanied by a set of KPIs to ensure the monitoring of progress.
147. Whilst recognizing that the Plan covers most of the key issues left unresolved over the years and provides a comprehensive and shared framework for enhancing people management in the ITU, it should however be noted that its high-level specific activities still require operational plans to be translated into concrete action. These plans have yet to be drafted, and a timeframe with intermediate stages of implementation within the 4-year horizon has not yet been set. The KPIs also need further elaboration, based on the criteria and models that will be established in the operational plans. In addition, some preliminary steps have not been completed, such as the catalogue of technical competencies to be defined within the Competency framework. Without this, no skill gap exercise can usefully be performed.
148. A constant impulse is therefore needed to bring forward the enforcement of the strategic priorities with the necessary sense of urgency.
149. In the meanwhile, given the unchanged economic environment, the cost containment measures that have marked the HR management practices in recent years have been reconfirmed. As shown in Document C19/45, in the next biennium additional savings are expected from the efficiency measures relating to staff, which imply further adaptation efforts, the downgrading of posts, redeployments and non-linear professional paths. In the past few years, this has

particularly affected middle management, which is the backbone of the organization. In addition, new pay cuts were applied in 2018.

150. The major challenge seems therefore to combine daily management with a medium to long-term perspective, maintaining social cohesion in the transition period.

151. At the same time, this period can be an opportunity to reflect on certain workflows and procedures and decide on the level of autonomy desired. As stated on other occasions, the case of fraud detected in a Regional Office has shown amongst other things that the existence of a number of formal steps does not necessarily entail substantive accountability. More streamlined processes (in particular those for selecting experts) and effective supervision from line managers (including through effective performance appraisals) are needed to obtain efficiency gains and greater accountability.

Recommendation n. 20

152. In order to ensure the successful achievement of the new strategic framework, we recommend that Management should urgently:

1) explore ways to streamline the current workflows and procedures affecting the HR management functions and decide on the degree of autonomy desired to attain more efficiency and greater accountability (starting from those procedures which have revealed major weaknesses, such as the recruitment of consultants);

2) complete the inventory of competencies including those of a technical nature; this can be the only basis for identifying the current HR internal potential and the additional operational skills needed to keep pace with the high standards of service desired for ITU.

Comments by the Secretary-General

The recommendations are supported. As mentioned vis-à-vis the recommendation No. 19, a review of existing processes and workflows is underway with a view to streamlining, simplifying and automating those processes, and for a better integration into the ERP environment.

As to the inventory of technical competencies, which represents the third pillar of the newly implemented competency framework, the completion of the exercise is part of the implementation of the new HR Strategic plan established for submission to the Council session 19 for approval, and as part of succession planning activities.

STATEMENT OF CHANGES IN NET ASSETS FOR THE PERIOD ENDED 31 DECEMBER 2018

153. Table III “Statement of changes in net assets” represents not only the movements of cumulated allocated and non-allocated own funds, and IPSAS effects, but also movements for each own fund, as reported in Note 4.

TABLE OF CASH FLOWS FOR THE PERIOD ENDED 31 DECEMBER 2018

154. The Table of cash flows identifies the sources of cash inflows, the items on which cash was spent during the reporting period, and the cash balance as at the reporting date.

155. In 2018, the ITU reported a cash flow from operating activities of 33.7 MCHF, an increase of 49.1 MCHF compared to the value recorded in 2017, which was -15.4 MCHF. A positive cash flow was also reported from finance activities (0.2 MCHF), represented by the repayment of FIPOI loan. Net cash flows from investment activities (33.7 MCHF) showed a positive variation from 2017 (15.4 MCHF), mainly due to the increase in third party funds and in changes in own funds.

156. The net result in cash and cash equivalents showed an increase of 26.5 MCHF in 2018, from 135.3 MCHF at the beginning of the year to 161.8 MCHF at the end of the year. We checked the underlying entries by selecting samples from some accounts. The result was that all chosen transactions were properly backed by supporting documentation. The Cash Flow Statement is thus verified and confirmed.

COMPARISON OF BUDGETED AMOUNTS AND ACTUAL AMOUNTS FOR THE 2018 FINANCIAL PERIOD

157. Table V “Comparison of budgeted amounts and actual amounts for the 2018 financial period” is drawn up in compliance with IPSAS 24, which requires that this comparison, arising from execution of the budget itself, should be included in the Financial Statements. The Standard also provides for the disclosure of the reasons concerning the material differences occurring between budget and actual amounts.

158. Table V also includes an accounting reconciliation of the differences between the budget out-turn (actual amounts) and the amounts recognized in the accounting statement. Further details are provided in Note 26 to the Financial Operating

Report and we also refer to the Secretary-General's comments reflected in the Financial Operating Report.

STAFF SUPERANNUATION AND BENEVOLENT FUNDS

159. Two Funds are reported in Annex B3 of the Financial Operating Report: the "*Reserve and Complement Fund*" (with Total Assets amounting to 6.2 MCHF (slightly less than in 2017) and the "*Assistance fund*" (with Total Assets amounting in 2018 to around 0.3 MCHF, same as 2017).
160. For the "*Reserve and Complement Fund*" in the Liabilities, an actuarial provision of 54 KCHF is recorded under the item "*Employee benefits*", in line with an actuarial valuation performed in 2010.
161. As stated in Note 2 to the Financial Operating Report, these funds "are the set of funds that guarantee the pensions of employees who were in service prior to 1 January 1960, the date on which ITU became affiliated to the United Nations Joint Staff Pension Fund. In 2018, the Reserve and Complement Fund paid out 22 retirement pensions (they were 24 in 2017) and 22 survivor's pensions (same as in 2017); and the Assistance Fund served to assist staff members and pensioners in difficult financial situations".
162. Due to variation in the number of beneficiaries, in 2018 Reserve and Complement fund recorded expenses for 19.4 kCHF, less than in 2017 (they were 21.9 kCHF). No expense was made in 2018 for the Assistance fund.

UNITED NATIONS DEVELOPMENT PROGRAMME (UNDP), INFORMATION COMMUNICATION TECHNOLOGY DEVELOPMENT FUND (ICT-DF), AND TRUST FUNDS

163. In Note 20 to the Financial Operating Report there is the breakdown of these two categories of non-current Liabilities: "Allocated third-party funds" and "Third-party funds in process of allocation". The table showed also the ITU own funds allocated to extra-budgetary projects.
164. Rule 5 in Annex 2 of the Financial Regulations provides that "a separate account for each voluntary contribution or trust fund shall be opened in a special account of the Union".
165. Annex B5 to the Financial Operating Report shows the Trust Fund projects, financed by the Special Fund for Technical Cooperation (SFTC) – intended to meet the needs of developing countries requesting urgent assistance and based on voluntary contributions – and, partly, by a withdrawal from ICT-DF, authorized

by a decision of the ICT-DF Steering Committee. Other projects are funded with specific voluntary contributions (they are shown in Annex A6) and are governed by agreements with donors. Annex A7 lists the projects related to ICT-DF.

166. As shown in the above-mentioned table under Note 20, ITU own funds allocated to projects decreased in 2018 to 5.6 MCHF from the 2017 value of 7.0 MCHF. On the other hand, third-party funds allocated to projects in 2018 increased to 31.0 MCHF from 23.0 MCHF in 2017.
167. The increase in third party funds was due to the increase in the external contributions (16.0 MCHF in 2018, as compared to 10.2 MCHF in 2017).
168. Third-party funds awaiting allocations decreased in 2018 to 2.8 MCHF (they were 3.3 MCHF in 2017), due to the transfer of funds to new earmarked projects in 2018.

IT AUDIT

169. In 2017 and 2018 our experts verified and discussed several relevant aspects of the IT system in place. On 12 November 2018 we obtained updates from ERP Division that complemented the answers to our requests.
170. We were informed that, regarding the SAP Controlling (SAP/CO), a project is starting for the reimplementation of the Cost Accounting Module for Planning and Allocation/Assessment to RBM.
171. A new bank communication software was implemented in July 2018. Three modules were added: Autobank, Cash Management and Payments. In 2019, these functions will be tested and verified.
172. The issue of a better Process integration with SRM and CRM systems, raised by our experts, was updated by ERP Division in November 2018 with the information that ITU was planning to implement contract management, and that initial Project discussions with procurement had started. The Standard contract management module has been configured in SRM, and the Fit-Gap analysis will be performed by Procurement Division.
173. With reference to security, the updated information obtained from ERP Division in November 2018 is that a module called "AgileSI" has been integrated into the ITU SAP environment to monitor security events and threats, and that SAP team with IS Division are currently working on implementing use cases that would fit the ITU's context. We will check this issue at a later stage.

ETHICS FRAMEWORK

174. The Ethics Officer's position was established with Resolution 1308, which was approved by the Council (C09/121, para. 3.21) in December 2009. The position of Ethics Officer, filled in November 2016, has become vacant again since the end of April 2018.
175. We learnt informally that a new Ethics Officer will take up the position on 3 June 2019. At the date of this Report, no further information was available. We therefore recall, also in respect of IMAC Recommendation n. 4/2014, our Recommendation n. 12/2016, and we consider as necessary a full review of the ethics-related provisions in the legal framework, with a more detailed evaluation of the recent actions for update and enhancement.

Whistleblower protection

176. The role of Ethics Office in receiving reports on suspect cases is underlined in Service Order no. 19/09 – Policy against fraud, corruption and other proscribed practices. It is the final destination in reporting suspect cases, both directly and indirectly, through hierarchical supervisors or the Secretary-General.
177. We had some evidence that the protection against retaliation has not been fully practiced: anonymity was not fully granted in the fraud case recently occurred, and anonymity is presently conceived as an obstacle for further investigation (see Service Order no. 19/09, par. 8)
178. We acknowledge that, in Service Order No. 11/04, Service Order 17/07 and Service Order no. 19/09 paras. 11 and 12, there are some measures for the protection of whistleblowers. Nevertheless, the first protection is the confidentiality on his/her identity.

Recommendation n. 21

179. We therefore recommend that the Ethics Officer ensure an adequate degree of confidentiality through a better protection of the identity of the whistleblower.

Comments by the Secretary-General

The degree of confidentiality that the organization can guarantee in relation with the identity of a whistleblower is established in the relevant ITU legal texts and as to be evaluated by taking also into consideration the other obligations imposed on the organization throughout an investigation process and a disciplinary action, in terms in particular of due process and protection of the right to defence of all parties involved in a specific case (alleged offender(s) or perpetrator(s), witnesses,).

Service Order 11/04 on the ITU policy for the protection of Staff against retaliation for reporting misconduct is establishing that Protection of the identity of a staff member who reports misconduct or who cooperates with a duly authorized official, auditor investigation, will be maintained to the extent possible within the legitimate needs of the ITU's Regulations and Rules, the requirements related to the investigation as well as the obligation for the organization to respect the principle of due process. Should such a staff member himself or herself disclose his or her identity, ITU will not be obliged to maintain confidentiality. In addition, Service Order 19/10 in investigation guidelines is also establishing confidentiality principles, in its paras 8 to 11. It establishes in particular that unauthorized disclosures of the identity of a complainant, a subject of the investigation or a witness, any other investigative information, or any other information that current or former ITU personnel may have obtained relating to the investigation process constitutes a breach of confidentiality and may result in administrative action, including a disciplinary action pursuant to the relevant provisions of the ITU Staff Regulations and Staff Rules.

Recommendation n. 22

180. We also recommend that a visible part in the public ITU website be urgently prepared in order to dedicate and facilitate the whistleblowers' communication with ad-hoc selected staff, like for instance the Ethics officer.

Comments by the Secretary-General

Information on the Ethics office and the ITU Ethics related policies are available on the ITU external website (<https://www.itu.int/en/general-secretariat/Pages/ethics.aspx>). However, giving more visibility to external visitors will be considered.

THE INTERNAL AUDIT UNIT (IAU)

181. This part of our report briefly looks at the relationship between the External Auditor and the Internal Audit Unit.
182. We acknowledge the cooperation received from the IAU's staff members, who are also tasked with providing logistic support to the External Auditor. IAU is sharing its audit reports with the External Auditor, as well as its audit plans.
183. As required by best practices, we continue to monitor the IAU's activity.

FOLLOW UP TO PREVIOUS RECOMMENDATIONS AND SUGGESTIONS

184. Annex I collects all our previous recommendations and the comments received from ITU Management at the time of the delivery of the Report. Annex II shows the follow-up to all our suggestions.
185. The recommendations that are evaluated as "closed" will not be included again in next year's Audit Report, unless they need an annual follow-up.

ANNEX 1 – Follow-up to recommendations in our previous reports

N.	Recommendation raised by the 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 the Italian Corte dei conti
Rec. 1/2017	<p>We recommend that Management, in the evaluation process of the projects and studies for the fulfilment of the new HQ premises, consider the needs of the Union in a long-term period, also taking into account the ITU Human Resources Strategic Plan.</p>	<p>The Management Board of the Building project has taken note of this recommendation. The on-going discussions and studies aimed at supporting the decision making process on a certain number of options related to the design, dimensioning, etc. of the new building and which are based on projections of the number of staff (regular and non-staff) which could be in service on the date of delivery of that new building.</p>	<p>Update as of December 2018:</p> <p>The options related to the design, dimensioning, etc. of the new building are indeed based on projections of the number of staff (regular and non-staff) which could be in service on the date of delivery of that new building.</p> <p>Update as of April 2019:</p> <p>The Management Board of the Building project has dimensioned the New Building according to the expected needs at the time of opening, for all constituencies of occupant: this is also expected to be sufficient for the long-term needs.</p>	Ongoing
Rec. 2/2017	<p>We recommend that, in order to mitigate the risk of inaccuracies, Management should:</p> <ol style="list-style-type: none"> 1) implement extraordinary measures (such as an ad hoc task force) to clear the backlog in personal files within as short a time as possible; 2) rationalize the flows for data storage and management, thereby correcting the current fragmentation; 3) invest in IT resources, to eliminate any manual inputs related to the new compensation package, following a list of pre-established urgencies, and 4) enhance the salary payment function by introducing further checks on the payroll. 	<p>The recommendations are fully supported. The HRM Department has been working on a series of actions (short, mid and long term) aimed at addressing the various questions raised by the External Auditors, including:</p> <ul style="list-style-type: none"> - a reorganization of the HRM Department, completed in 2017; - a business-processes review for evaluating the existing processes and procedures, with the view to streamline the existing ones and establishing the new ones required, e.g., for supporting the implementation of the new compensation package (more particularly the new education grant scheme); - the completion of a comprehensive list of IT requirements, for discussion with the IS Department, for establishment of an action plan, covering the shortfalls existing into the systems, the development of new functionalities, the automation of existing manual processes, the development of 	<p>Update as of December 2018:</p> <p>The complete list of HR related IT requirements has been submitted to the IS Department and a project called HRMD Enhancements 2019-2020 has been launched.</p> <p>The principal objective of the Project is to add new functionalities, enhance existing process and “fix bugs” in the current SAP HRMD modules which include Personnel Management (HR Admin, Benefits & Entitlements, etc.), Payroll, Employee/Manager Self services and interfaces with external systems such as UNJSPF and Cigna.</p> <p>The project covers the following key activities:</p> <ol style="list-style-type: none"> 1. Review the requirements list (see spreadsheet xyz) provided by HRMD. 2. Develop an implementation plan. 3. Procure external services, if needed. 4. Configure and develop solutions for the requirements specified in the requirements list. 	Ongoing

N.	Recommendation raised by the 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 the Italian Corte dei conti
		<p>additional ESS (employee self-services) functionalities, etc.;</p> <p>- the review and, if necessary, redesign, of the e-filling project launched in 2010 for dematerializing the information managed by the HRM Department, with an integration of that information into a stronger and more comprehensive information management system.</p>	<p>5. Support HRMD during the project and post go-live.</p> <p>In parallel to this project, an “e-filling” project is also being designed for launching in the course of 2019.</p> <p>Update as of April 2019:</p> <p>The last actions related to the HRMD reorganizations have been taken in the course of April/May 2019. Amongst those actions are the reinforcement of the Payroll section. In addition to the advertisement of a P2 position, a staff member has been assigned on the existing G5 position which was vacant. The reinforced unit includes in its mandate a reinforcement of the control mechanism as well as a better segmentation in between the functions related to the establishment of entitlements and the ones in relations with the calculations of those entitlements.</p> <p>The Chief of the Payroll unit has been mandated as project manager for the e-filling project, for reengineering the existing system and extending it to the whole HRMD.</p> <p>The IT requirement list mentioned in last report has been converted into an HRMD/ISD SAP-HR enhancement project.</p>	
<p>Rec. 3/2017</p>	<p><u>We recommend</u> that an intense preparatory activity be carried out in advance of the Strategic Plan for human resources, so as not to delay its implementation once it has been adopted in spring 2019. This should include: (i) a thorough skill gap analysis, with respect to internal potential of available resources, including technical skills, based on the outcome of the new assessment tool and the Competency Framework; (ii) the identification of sensitive posts and the preparation of a succession plan for the short and medium terms; (iii) a streamlining of the services and processes prior to determining the minimum size of the staff</p>	<p>The recommendation is supported. The elements listed under (i) to (iv) are integral part of the development of the HR Strategic plan to be submitted to the 2019 Council session for approval, based on the ITU Strategic plan and the Financial plan to be approved by the 2018 Plenipotentiary Conference in Dubai.</p>	<p>Update as of December 2018:</p> <p>The development of an HRSP has been endorsed by the PP-18 through its inclusion into Resolution 48 on HR management and development. IT is now being developed by HR, in consultation with all internal partners (Bureaux and Departments, Coordination Committee, Staff Council, Joint Advisory Committee...) for its submission to the 2019 Council session for approval. It will include all the items mentioned in the recommendation.</p>	<p>Ongoing</p>

N.	Recommendation raised by the 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 the Italian Corte dei conti
	<p>requested to fulfill the institutional functions, and (iv) the criteria for internal vs external recruitment and for the use of non-staff and short-term personnel.</p>		<p>Update as of April 2019:</p> <p>The ITU People Strategy and the HR Strategic Plan (20-23) have been developed by HRMD based on a consultative process conducted from 15 January to 15 March 2019 with Bureaux and General Secretariat (GS) as well as Staff Council.</p> <p>This consultative process consisted of an extensive communication through memoranda and presentations on the new ITU People Strategy as well as on the potential structure and content of the HRSP.</p> <p>Following these presentations, each Bureau/SG Department and the Staff Council have been requested to provide inputs by 15 March 2019 both on the narrative sections of the ITU People Strategy and on the specific needs to be reflected in the HRSP. Inputs and comments have been received across all sectors and reflected in this final document.</p> <p>This process has been essential to translate the priorities and goals of the ITU People Strategy (Pillar 1, 2, 3 and 4 as described in Section 5 of the Annexed ITU People Strategy 20-23) into an HRSP driven by the specific needs of the Bureaux/ SG Departments and in line with the overall ITU priorities and goals.</p> <p>While the scope of a consultative process by Bureau and SG Department was to ensure the identification of specific needs for a more targeted approach, the HRSP aims at supporting through HR functions the Organization as of being “One ITU”. This was also strongly recommended by internal stakeholders which has resulted in “One HRSP”.</p> <p>All the elements mentioned in the recommendation are interated into the final product, which is now ready for submission to the C19 Council session.</p>	

N.	Recommendation raised by the 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 the Italian Corte dei conti
Rec. 4/2017	We recommend introducing a Policy/Guideline that 1) will avoid automatic extension of contracts in force; 2) will consider it necessary to perform a supplier/market evaluation, before the decision to extend a contract is taken by management.	ITU agrees that a policy should be put in place that contracts should not be automatically extended. ITU also agrees that a vendor performance evaluation should be done before a contract is extended. If the contract has extension options, it should not be necessary to carry out a market evaluation. However, if a contract is extended beyond its extension options, a market evaluation may be carried out as part of the justification for such an extension.	<p>Update as of December 2018:</p> <p>This is included in the Procurement Manual which has been drafted and is foreseen to be promulgated in early 2019.</p> <p>Update as of April 2019:</p> <p>None</p>	Ongoing
Rec. 5/2017	We recommend that Management improve controls on Purchase Orders/Contracts repeatedly awarded to the same supplier in order reduce the risk that ITU procurement rules and procedures being bypassed or not correctly applied.	ITU agrees that controls be introduced to reduce the risk of ITU procurement rules and procedures being bypassed.	<p>Update as of December 2018:</p> <p>The implementation is planned in January 2019.</p> <p>Update as of April 2019:</p> <p>Implemented. New procedures regarding procurement below CHF 20,000 introduced on 1 April 2019. Threshold to seek a minimum of 3 quotes is now set at CHF 5,000. Awards without bidding is limited to CHF 5,000 per transaction and CHF 20,000 per calendar year and vendor</p>	Ongoing
Rec. 6/2017	We recommend Management to update the ITU SRM software to allow the monitoring of Purchase Orders/contracts executed in case of waiver of competition.	ITU agrees that if technically possible, the basis of award (waiver or competition), should be recorded in the SRM system.	<p>Update as of December 2018:</p> <p>This is part of the contract management project which is foreseen to be concluded in 2019.</p> <p>Update as of April 2019:</p> <p>None</p>	Ongoing
Rec. 7/2017	We recommend that PROC should prepare Guidelines covering all aspects of the procurement process below 20 KCHF to be communicated to the staff concerned. For instance, the Guidelines should consider the following: 1) which are the minimum elements of the requisitions; 2) how potential suppliers shall be identified; 3) that bidding is required and a minimum number of quotations is sought, unless properly justified by the client/requisitioner and	ITU agrees that a policy be put in place which covers all aspects of procurement below CHF 20k. ITU agrees that bidding (unless duly justified) shall typically be carried out for cases above a certain minimum threshold which is yet to be established.	<p>Update as of December 2018:</p> <p>The implementation is planned in January 2019.</p>	Closed

N.	Recommendation raised by the 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 the Italian Corte dei conti
	previously approved by PROC; 4) how the evaluation of the quotations shall be performed; 5) how the Purchase Order/Contract shall be awarded.			
Rec. 8/2017	<u>We recommend</u> that all procurement process (from the tender dossier to the contract awarded) should be properly documented so as to ensure accountability, transparency and auditability.	ITU agrees that all procurement processes shall be properly documented.	Update as of December 2018: The implementation is planned in January 2019. Update as of April 2019: implemented	Closed
Rec. 9/2017	<u>We recommend</u> that a Declaration of Absence of conflict of interest (DACI) should be signed by the staff involved in the procurement process stating that they do not have any conflict of interest that may affect the procurement process.	ITU agrees that some key staff involved in a procurement process shall sign a DACI.	Update as of December 2018: This recommendation has been Included in the new Procurement Manual, foreseen to be promulgated in early 2019. Update as of April 2019: Partially implemented as of 1 April 2019. When requesting units propose vendors for procurement above HCF 5,000, they need to sign a DACI. In addition, when a waiver is requested, a DACI is also required. With the introduction of the new Procurement Manual, other key staff will also be required to sign DACIs.	Closed. The recommendation is renewed in the present report
Rec. 10/2017	<u>We recommend</u> that for any procurement a written confirmation statement should be obtained from the supplier confirming that the company adheres to the UN Supplier Code of Conduct.	ITU agrees with this recommendation and intends to have all vendors registered in the United Nations Global Marketplace (UNGM). As part of this registration process a vendor confirms to having read and understood the UN Supplier Code of Conduct.	Update as of December 2018: Ensuring that all vendors are registered in UNGM is an on-going project. ITU foresees that by 2019 all vendors being awarded contracts/POs are registered in UNGM as a pre-requisite. Update as of April 2019: Partially implemented	Ongoing
Rec. 1/2016	Considering the retirement projection for the next ten years and the risk of discontinuity potentially involved, <u>we recommend</u> that Management should adopt a formal succession planning	HRMD will consult the Bureau and GS Departments to develop a succession planning strategy aimed at preserving institutional knowledge and ensuring continuity in the	Update as of April 2018: The HRMD service responsible for this action being deeply involved in the implementation of the new e-	Ongoing

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	<p>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).</p>	<p>delivery of the mandate of the Union.</p>	<p>PMDS (performance management and development system), confirms that the recommendation will be implemented in the first quarter of 2018</p> <p>Update as of December 2018:</p> <p>The development and implementation of the HR Strategic plan (HRSP), to be approved by the 2019 Council session will focus, inter alia, on reinforcing the enhanced workforce diversity and agility (aligning ITU workforce to the ITU goals) through a series of action lines, including:</p> <ul style="list-style-type: none"> • Balanced and diversified workforce when it comes to staff in Professional and higher versus General Service categories; age, gender parity at all levels and geographical distribution. • A Fit-for-purpose workforce, including identification of duplication or overlap of work. • Alignment between the Union's strategic priorities and staff functions and posts. • A common basis for required competencies and skills based on analysis and gap assessments (designing skills and competency profiles), so as to ensure the right people in the right positions, also through mobility and functional rotations. • Succession Planning as a means to streamline planning and earlier identification of need. <p>Update as of April 2019:</p> <p>Those elements are integral part of the draf HR Strategic plan prepared (see recommendation 3/2017 above) for submission to the C19 Council session for approval.</p>	
<p>Rec. 2/2016</p>	<p><i>Absence of “key guidelines” in the Financial Regulations and Financial Rules</i></p> <p>We therefore recommend that Management should submit to the Council a proposal for amending the Financial Regulations and</p>	<p>ITU takes note of this recommendation and shall consider preparing a proposal for Council.</p>	<p>Update as of April 2018:</p> <p>An amendment to the Financial Regulations and Financial Rules is presented to this session of the CWG-FHR to reflect this recommendation.</p>	<p>Closed</p>

N.	Recommendation raised by the 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 the Italian Corte dei conti
	Financial Rules in order to be consistent with the procurement principles found in Service Order which shall be aligned.		<p>Update as of December 2018:</p> <p>Council 2018 agreed to this and the Financial Regulations and Financial Rules were amended accordingly.</p>	
<p>Rec. 3/2016</p>	<p><i>The United Nations Global Marketplace</i></p> <p>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, <u>we recommend</u> that it should also regularly publish all the tenders (for goods and services) below CHF 50'000.</p>	<p>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.</p>	<p>Update as of April 2018:</p> <p>In progress.</p> <p>The Procurement Manual is in progress of being drafted.</p> <p>Update as of December 2018:</p> <p>All tender notices for requirements above CHF 50,000 shall be advertised on UNGM and the ITU public web-site. For requirements below this amount, while it is not required, it is still good practice to advertise on UNGM and the ITU public web-site. These provisions will be included in the new Procurement Manual, foreseen to be promulgated in early 2019.</p>	<p>Closed</p>
<p>Rec. 4/2016</p>	<p>We share the Internal Auditor's view and <u>recommend</u> 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.</p>	<p>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.</p>	<p>Update as of April 2018:</p> <p>In progress.</p> <p>The Procurement Manual is in progress of being drafted.</p> <p>Update as of December 2018:</p> <p>This is included in the Procurement Manual which has been drafted and is foreseen to be promulgated in early 2019.</p> <p>Update as of April 2019:</p> <p>None</p>	<p>Ongoing</p>
<p>Rec. 5/2016</p>	<p><u>We</u> therefore <u>recommend</u> that ITU introduce a written procedure to be followed by ITU's staff for procurement cases below CHF 20.000.</p>	<p>ITU accepts this recommendation. This will be included in the new Procurement Manual.</p>	<p>Update as of April 2018:</p> <p>In progress.</p> <p>The Procurement Manual is in progress of being drafted.</p>	<p>Closed</p>

N.	Recommendation raised by the 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 the Italian Corte dei conti
			<p>Update as of December 2018:</p> <p>These written procedures are planned to be implemented in January 2019. This is also covered in the new Procurement Manual that has been drafted and is foreseen to be promulgated in early 2019.</p>	
<p>Rec. 6/2016</p>	<p><i>Enhancing the transparency of the procurement process</i></p> <p>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, <u>we recommend</u> 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.</p>	<p>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.</p>	<p>Update as of April 2018:</p> <p>In progress.</p> <p>The Procurement Manual is in progress of being drafted.</p> <p>Update as of December 2018:</p> <p>This is included in the Procurement Manual which has been drafted and is foreseen to be promulgated in early 2019.</p> <p>Update as of April 2019:</p> <p>None</p>	<p>Ongoing</p>
<p>Rec. 7/2016</p>	<p><u>We recommend</u> that ITU should ensure that clear pass/fail (or compliant/non-compliant) criteria are applied consistently for all ITBs.</p>	<p>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.</p>	<p>Update as of April 2018:</p> <p>In progress.</p> <p>The Procurement Manual is in progress of being drafted.</p> <p>Update as of December 2018:</p> <p>This is included in the Procurement Manual which has been drafted and is foreseen to be promulgated in early 2019.</p> <p>Update as of April 2019:</p> <p>None</p>	<p>Ongoing</p>

N.	Recommendation raised by the 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 the Italian Corte dei conti
<p>Rec. 8/2016</p>	<p><i>Enhancing the role of the Appraisal Committee</i></p> <p>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 “<i>bidders availability in mid November (2012) will be an important criteria of selection</i>” 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 automatic rejection of late offers received, SO 14/06 should clearly state in which cases these exceptions apply.</p>	<p>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.</p>	<p>Update as of April 2018: In progress. The Procurement Manual is in progress of being drafted.</p> <p>Update as of December 2018: This is included in the Procurement Manual which has been drafted and is foreseen to be promulgated in early 2019.</p> <p>Update as of April 2019: None</p>	<p>Ongoing</p>
<p>Rec. 9/2016</p>	<p><i>Enhancing the mandatory technical assessment</i></p> <p>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.</p>	<p>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.</p>	<p>Update as of April 2018: In progress. The Procurement Manual is in progress of being drafted.</p> <p>Update as of December 2018: This is included in the Procurement Manual which has been drafted and is foreseen to be promulgated in early 2019.</p>	<p>Ongoing</p>

N.	Recommendation raised by the 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 the Italian Corte dei conti
			<p>Update as of April 2019: None</p>	
<p>Rec. 10/2016</p>	<p><i>Monitoring the vendor performance</i> We share the Internal Auditor's view and <u>we recommend</u> 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.</p>	<p>ITU accepts this recommendation. A policy on vendor performance management shall be included in the new Procurement Manual.</p>	<p>Update as of April 2018: In progress. The Procurement Manual is in progress of being drafted.</p> <p>Update as of December 2018: This is included in the Procurement Manual which has been drafted and is foreseen to be promulgated in early 2019.</p> <p>Update as of April 2019: None</p>	<p>Ongoing</p>
<p>Rec. 11/2016</p>	<p><u>We recommend</u> 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.</p>	<p>ITU accepts this recommendation and will prepare such a policy for adoption.</p>	<p>Update as of April 2018: 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.</p> <p>Update as of December 2018: Awaiting for the nomination of the new ethics officer.</p> <p>Update as of April 2019: Implemented. Service Order 19/09, on Policy against fraud, corruption and other proscribed practices was issued on 2 May 2019. This was prepared by the Ethics Office.</p>	<p>Closed</p>
<p>Rec. 12/2016</p>	<p><i>Ethics Framework</i> Through the Ethics Office, a comprehensive review of the ethics-related provisions in the legal framework is underway. Further to this review, <u>we recommend</u> 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</p>	<p>ITU accepts this recommendation, which is consistent with the overall ethics strategy that is being pursued by Management and the Ethics Office.</p>	<p>Update as of April 2018: The above-referenced draft policy against Fraud, Corruption and other Proscribed Practices is expected to address some of the elements identified in this recommendation. The final draft of this policy has been submitted for comment to the Independent Management Advisory Committee at its March 2018 meeting, and is being finalized for issuance. In addition, the Ethics Office</p>	<p>Closed</p>

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	<p>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.</p>		<p>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.</p> <p>Update as of December 2018: Awaiting for the nomination of the new ethics officer.</p> <p>Update as of April 2019: Implemented. Service Order 19/09, on Policy against fraud, corruption and other proscribed practices was issued on 2 May 2019. This was prepared by the Ethics Office.</p>	
<p>Rec. 1/2015</p>	<p><i>The accuracy of the Asset Register need to be improved</i></p> <p>In this regard, <u>we recommend</u> 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.</p>	<p>The Secretariat will pursue the efforts already made to ensure that all assets are recorded in the respective databases.</p>	<p>Update as of end April 2017</p> <p>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.</p> <p>Update as of April 2018:</p> <p>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.</p> <p>Update as of December 2018:</p> <p>Current procedures and processes are being reviewed and the aligning of the revised processes with SAP is planned in 2019.</p>	<p>Ongoing</p>

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			<p>Update as of April 2019:</p> <p>The new SAP inventory software and scanning system are planned for implementation in 2019.</p>	
<p>Rec. 2/2015</p>	<p><i>A revision of the depreciation's coefficients is needed</i></p> <p>In this regard, 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.</p>	<p>The secretariat will further analyse this recommendation and its potential consequences.</p>	<p>Update as of end April 2017</p> <p>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</p> <p>Update as of April 2018:</p> <p>None</p> <p>Update as of December 2018:</p> <p>Current depreciation parameters are being reviewed and are planned to be implemented.</p> <p>Update as of April 2019:</p> <p>SAP consultant is recruited to implement ERP system changes effective 2020</p>	<p>Ongoing</p>
<p>Rec. 4/2015</p>	<p>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.</p>	<p>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</p>	<p>Update as of end April 2017</p> <p>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.</p> <p>Update as of April 2018:</p> <p>In line with the recommendation of harmonization</p>	<p>Closed. A new recommendation on the issue has superseded the present one.</p>

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			<p>discussed among the UN IPSAS Task Force, the use of a thirty-year yield curve for high-quality corporate bonds in Swiss Francs has been used for the 2017 valuation.</p> <p>Update as of December 2018:</p> <p>As put in place last year in accordance with the decision taken by the UN IPSAS task force and as it will be reported by the UN ASHI Working group to the UN Assembly, we will use a thirty-year yield curve for high-quality corporate bonds in Swiss Francs which will be provided by the UN in a view of harmonization of the assumptions among the UN organizations.</p>	
<p>Rec. 3/2014</p>	<p>We <u>recommend</u> 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.</p>	<p>It is taken note of this recommendation. A full actuarial study will be performed according to the recommendation.</p>	<p>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).</p> <p>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)</p> <p>Update as of end April 2017: New actuaries have been chosen to perform a full actuarial study of the Health Insurance Scheme. The result of the full study will be known mid 2017</p> <p>Update as of December 2017:</p> <p>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.</p> <p>Update as of April 2018:</p> <p>A final discussion to present the result of different scenario will take place during may 2018.</p> <p>Update as of December 2018:</p> <p>The result of the study has been received and shared with the CMIP Committee for its consideration.</p>	<p>Ongoing</p>

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			<p>Update as of April 2019:</p> <p>The CMIP committee is still reviewing carefully the different options to ensure the long term sustainability of the plan. Further to the result of the full actuarial study, the CMIP committee decided to study the option to join another Un Organization.</p>	
<p>Rec. 4/2014</p>	<p>As remedial measures are needed, these drivers might be considered by the Council: we <u>recommend</u> Management, to monitor these drivers to ensure adequate pay-as-you-go and long-term funding</p>	<p>The funding of the health Insurance on a pay-as-you-go basis as well as of the ASHI actuarial liability is of utmost 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.</p>	<p>The Management follows this recommendation and monitors carefully the different drivers to ensure ITU's good financial health.</p> <p>Update as of end April 2017: 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.</p> <p>Update as of December 2017:</p> <p>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</p> <p>Update as of April 2018:</p> <p>ITU will continue to fund the ASHI reserve depending on the budgetary results and also through the decided budget allocation.</p> <p>Based on the result of the full actuarial study the ITU will review the main drivers to ensure the sustainability of the plan.</p>	<p>Ongoing</p>

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			<p>Update as of December 2018:</p> <p>The result of the full actuarial study has been provided to the CMIP Committee for its review and consideration. The management still monitors carefully all the drivers in a view of reducing the ASHI liabilities and insuring the long term sustainability of the plan.</p> <p>Update as of April 2019:</p> <p>The CMIP committee is still reviewing carefully the different options to ensure the long term sustainability of the plan. Further to the result of the full actuarial study, the CMIP committee decided to study the option to join another UN Organization.</p> <p>In addition ITU will continue to fund the ASHI reserve depending on the budgetary results and also through the decided budget allocation.</p>	
<p>Rec. 3/2012</p>	<p>“Droit de superficie”</p> <p>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.</p>	<p>In January 2013, the Legal Adviser has already successfully contacted the Host Country competent Authorities in order to initiate a negotiation process.</p>	<p>The competent Host Country Authorities welcomed the request from ITU in principle and confirmed their interest as well as the fact that further developments will be triggered by decisions related to the replacement of the Varembe building, which are currently still under discussion.</p> <p>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 into the long-term future, in order to prepare a recommendation for Council. The first meeting of the CWG took place on 28 January 2015.</p> <p>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</p>	<p>Ongoing</p>

			<p>September 2015.</p> <p>Update as of end April 2017: The Council, by its Decision 588, decided to replace ITU's Varembe 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".</p> <p>Update as of April 2018:</p> <p>The ITU/Host country Working Group on "Droit de superficie" held its first meeting on 15 November 2017. Discussions focused on the following elements:</p> <ol style="list-style-type: none">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. <p>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.</p> <p>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.</p> <ol style="list-style-type: none">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	
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			<p>to enter into discussions on the provisions of the template.</p> <p>4) The draft of "Droit de superficie" contract should ideally be finalized by October 2018</p> <p>Update as of December 2018:</p> <p>Discussions in the Host Country Working Group have been postponed as ITU is waiting for written explanations from the Host Country about the legal basis and the reasons supporting the reduction of the duration of the "Droit de superficie" from 99 to 50 years. Consultations in this respect are currently taken place between the competent Authorities of the Host Country. A reply is expected by the beginning of 2019.</p> <p>Update as of April 2019:</p> <p>The draft of the "Droit de superficie" contract is under negotiation within the ITU/Host Country working group. In this context, ITU has requested written explanation from the competent Swiss Authorities on the reasons and legal basis underlying the possible reduction of the granting of the "droit de superficie" from 99 years (current duration) to 50 years (potential new duration). Such explanation are expected to be received soon.</p>	
<p>Rec. 4/2012</p>	<p><i>Assets' recording in the register</i></p> <p>[...] 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</p>	<p>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.</p>	<p>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.</p> <p>At the end of 2014 the value of non-found assets has been significantly reduced by 83% of the 2012 value.</p> <p>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.</p> <p>Update as of end April 2017: The situation of recovered assets had improved as at 31 December 2016 compared to 2014 and previous years. The same effort was made</p>	<p>Ongoing</p>

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	that will not be found during 2013.		<p>during 2016. By way of comparison, the value of the assets not found on 31 December 2012 was 392'744 CHF, compared to 22,024 CHF on 31 December 2016</p> <p>Update as of April 2018:</p> <p>The value of assets not found as on 31 December 2017 amounted to 29'792 CHF, of which CH 3'901 CHF is from the 2016 period.</p> <p>Research will continue in 2018 fiscal year to recover as many misplaced assets as possible.</p> <p>Update as of December 2018:</p> <p>Current procedures and processes are being reviewed including the process for assets not found.</p> <p>Update as of April 2019:</p> <p>There were 313 assets not found in the 2018 physical inventory, corresponding to an acquisition value of 164'575 CHF. The field office inventory was unaffected, with all assets located.</p>	
<p>Rec. 10/2012</p>	<p><i>Digitalisation of personnel dossiers</i></p> <p>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.</p>	<p>I take note of this recommendation and inform you that HRMD is exploring this possibility.</p>	<p>The Detailed Blueprint (DBBP) of the e-Staff Personal File (digital filing) System was established on 19 April 2013.</p> <p>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.</p> <p>Update as per end of January 2015: The first phase of creating the tool is completed. The e-Staff Personal File (digital filing) System is now operational.</p> <p>The next phase of the exercise concerning HRAD (E&B Service) focuses mainly on two different tendencies which are :</p> <p>1) Reduction of previous storage places (cupboards and computerized directories) to reorient Archive document</p>	<p>Ongoing</p>

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			<p>flows toward the new e-filing system.</p> <p>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.</p> <p>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.</p> <p>Update as of end April 2017: The project is still underway. As forecasted, one staff of the HRM Dept. is working on this project.</p> <p>Update as of April 2018:</p> <p>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.</p> <p>Update as of December 2018:</p> <p>The previous comments remain valid. In addition, the new HRSP will include, as an objective for establishing an Excellence driven HR Services, the following action lines:</p> <ul style="list-style-type: none"> • Streamlined and holistic HR services (simplify workflows and processes, promote a paperless work environment and build business plans and programmes oriented to clients). 	

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			<ul style="list-style-type: none"> • Innovative, rationalized and integrated ERPs which will progressively support all types of HR processes and provide a range of new functionalities that will enhance the efficiency of these operations. • An effective use of HR data and analytics, which can be turned into meaningful information, and linked to related HR actions and in the context of a global digitalization of HR functions. <p>Update as of April 2019: (see recommendation 3/2017 above).</p>	

Annex II – Follow-up to suggestions in our previous reports

	Suggestion presented by the 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 the Italian Corte dei conti
Sugg. 1/2017	<u>We suggest</u> that ITU Secretariat should start as soon as possible a selection procedure for the position of Ethics Officer and that, on a temporary and interim base, appoint a P Staff with the needed skills until the selection procedure has been completed.	The advertisement is being finalized in collaboration with WMO. Potential short-term candidates for an ad interim period have been identified and are being evaluated.	Update as of April 2019: The newly appointed Ethics Officer will take up her position on 3 June 2019	Closed
Sugg. 2/2016	<i>Adoption of a Procurement Manual and a codified procedure at ITU</i> Furthermore <u>we suggest</u> that ITU should revise the threshold for soliciting a minimum of three quotations to guarantee the sound financial management of the process.	ITU agrees with this suggestion. This will be included in the new Procurement Manual.	Update as of April 2018: In progress. The Procurement Manual is in progress of being drafted. Update as of April 2019: Implemented. New procedures regarding procurement below CHF 20,000 introduced on 1 April 2019. Threshold for seeking a minimum of three quotes is now set at CHF 5,000.	Closed
Sugg. 2/2015	<i>Host Country Agreements for Field Offices</i> <u>We therefore suggest</u> that ITU Management continue to review the current host country agreements, with the aim of formalising the “accepted practices” and the benefits obtained by the HCA, in order to enhance its role and protect its assets.	Suggestion No. 2 is acceptable and in practice its implementation has been ongoing for several years and will continue in the future. Thus, a specific agreement for the Area Office in Honduras where there was no concrete agreement, was concluded in 2013. Similarly, a formal agreement for the Area Office in Indonesia (for which no formal agreement currently exists) should be signed in the near future; the draft agreement was the subject of an agreement in principle on the part of both parties with the exception of one paragraph which remains pending due to internal consultations within the Government of Indonesia. A review of the Host Country Agreement currently in force for the regional office in Bangkok may also be finalized soon. Finally, the negotiations for the	Update as of end April 2017: A formal agreement for the Area Office in Indonesia (for which there was no formal agreement) has been signed in April 2017 after 8 years of negotiations. A revision of the Host Country Agreement currently in force for the regional office in Bangkok may also be finalized soon. Finally, the negotiations for the conclusion of a host country agreement for the Area Office in Chile are also under way. Update as of April 2018: None Update as of April 2019: With respect to the revision of the HCA currently in force for the regional office in Bangkok, the most recent follow-up was through a letter to the	Ongoing

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		<p>conclusion of a host country agreement for the Area Office in Chile are also under way.</p> <p>The aim of the ongoing negotiations for the field offices where there is no formal host country agreement, is to codify existing practice through an agreement with the host countries concerned.</p>	<p>Thai authorities by the Director of the BDT in order to reactivate the discussion on the need to sign quickly this revised version. The negotiations for the conclusion of a host country agreement for the Area Office in Chile are also under way.</p>	
<p>Sugg. 1/2014</p>	<p><i>Low value assets (LVA)</i></p> <p>In this regard, we suggest Management to consider reviewing the LVA threshold, in particular specifying the different categories of items and their depreciation according to their useful life.</p>	<p>This suggestion will be investigated in order to analyse the impact of introducing differentiated thresholds according to the category of fixed assets. It is to be noted that the value of CHF 15.2 million represents the cumulative amount of LVA captured in the fixed assets model since the introduction of the IPSAS (including the pre-IPSAS implementation balance).</p>	<p>The implementation of this suggestion is still under evaluation</p> <p>Update as of end April 2017: The decision will be made on the basis of the outcome of the accounting impact that is currently being studied.</p> <p>Update as of April 2018:</p> <p>The implementation of this suggestion is still under evaluation while noting that the value of CHF 15.2 million, representing the cumulative amount of LVA fixed assets, has not substantially increased since the 1ST January 2010</p> <p>Update as of April 2019:</p> <p>Current Financial Rules and Regulations have to be amended. Proposal to change capitalization threshold will be presented for Council's approval in 2020 session. Implementation of new depreciation rates for LVA according to their useful life planned in 2021.</p>	<p>Ongoing</p>
<p>Sugg. 3/2014</p>	<p>We suggest Management, as needed, to define a comprehensive set of drivers and sub-drivers, and use the most relevant drivers to efficiently monitor and address the ASHI situation.</p>	<p>The monitoring of the CMIP is currently done with the purpose to enable early identification of adjustments to ensure funding on the pay-as-you-go basis. The above-mentioned drivers are taken into account in order to identify the relevant adjustments, The ASHI liability will be funded according to the available resources on</p>	<p>The Management follows this suggestion; as soon as the full actuarial study will be completed, its results will be considered to define appropriate drivers to efficiently address the ASHI situation.</p> <p>Update as of end April 2017: The results of the full actuarial study will be known mid 2017.</p>	<p>Ongoing</p>

	Suggestion presented by the 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 the Italian Corte dei conti
		<p>a long-term basis taking into account budgetary constraints.</p>	<p>Based on the results of the study, the management will defined drivers to efficiently monitor the ASHI situation.</p> <p>Update as of April 2018:</p> <p>ITU will continue to fund the ASHI reserve depending on the budgetary results and also through the decided budget allocation.</p> <p>Based on the result of the full actuarial study the ITU will review the main drivers to ensure the sustainability of the plan.</p> <p>Update as of April 2019:</p> <p>The CMIP committee is still investigating the different options. As soon as a decision is taken, the drivers to maintain the sustainability of the plan will be reviewed.</p>	
<p>Sugg. 7/2014</p>	<p>We suggest Management to analyse the implications in terms of loss of relevant experience potentially resulting from the rapid rotation of people and from the expected retirements, and to establish strategic priorities for future staff requirements in the medium term.</p>	<p>Management takes note of the suggestion. Additionally, a policy on the use of Special Service Agreement contractors is to be promulgated to ensure that this workforce is used appropriately and in the best interest of the Union.</p>	<p>a) Promulgation of a policy on the use of Special Service Agreement (SSA) contractors is still work in progress. The new policy will cover the following elements:</p> <ul style="list-style-type: none"> - A revised definition of the SSA contractor; - Identification of the different categories of tasks which a SSA contracts can be issued taking into consideration the core/non-core functions dimension, project related tasks and high level expertise needed for specific researches - Establishment of a unified recruitment process across the Union; - Establishment of a remuneration grid and ranges covering different needs; - Clear guidelines on delivery timelines including; - Clear guidelines on the duration including limitations and conditions for extension and renewal of such contracts; 	<p>Closed. Superseded by Rec. 3/2017</p>

	Suggestion presented by the 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 the Italian Corte dei conti
			<ul style="list-style-type: none"> - Re-definition of associated social benefits and other entitlements (travel costs, DSA for non-local, etc.); - The definition of an assessment tool of the deliverables. <p>b) It is also important to note that to the delivery of interns and SSA contractors is under the supervision of appointed staff, to help preserve institutional.</p> <p>Update as of end April 2017: A draft has been established and is submitted for information to the Council 2017, pending its consideration through the normal internal consultative process</p> <p>Update as of April 2018:</p> <p>The internal consultative process has to be completed. However, there is an on-going discussion on whether the processing of individual contractors' requests should continue to be processed by HRMD as individual contracts or it ti should be processed by the Procurement service through the services procurement procedures. The completion of the establishment of the policy has been put on hold by HRMD until a decision is made in this regard.</p>	