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| **Council 2019 Geneva, 10-20 June 2019** |  |
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| **Agenda item: ADM 12** | **Document C19/59-E** |
| **31 May 2019** |
| **Original: English** |
| Note by the Secretary-General | |
| |  | | --- | | Tendering to select the external auditor | | |

I have the honour to transmit to the Member States of the Council the Report of the Appraisal Committee for the selection of the External Auditor.

Houlin ZHAO  
 Secretary-General

Report by the Appraisal Committee

Tendering to select the external auditor

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| Summary  This report contains the outcome of the Appraisal Committee’s work for the selection of the External Auditor of the ITU. It provides an overview of the tendering process conducted by the Secretary-General and the appraisal work of the committee, composed of six Member State delegates, for the selection of the External Auditor of the ITU.  Action required  The Council is invited to **note** the content of this report and to **adopt** the draft Decision contained in Annex B of this report.  \_\_\_\_\_\_\_\_\_\_\_\_  References  [*Resolution 94 (Rev. Dubai, 2018)*](https://www.itu.int/pub/S-CONF-PLEN-2015)  *Document C18/67*  [*ITU Financial Regulations and Rules (2018), Article 28*](https://www.itu.int/en/council/ties/Documents/cwg-fhr/Regl-fin-2010-E.pdf) |

**THE TENDERING PROCESS**

1. With regard to Resolution 94 (Rev. Dubai, 2018) and document C18/67 (Process for the selection of a new external auditor), a number of tasks were performed. This report contains a detailed explanation of all the elements which led the Committee to adopt its conclusion and ensuing recommendations.
2. At the January 2018 meeting of the Council Working Group on Financial and Human Resources, its Chair issued a call for expression of interest for six individuals to volunteer and serve as members of an Appraisal Committee to be established by the Council at its 2018 session. On 6 February 2018, the Secretary-General sent to the six main regional telecommunication organizations a letter calling for nominations. The outcome of the consultation led to the following composition:

Africa Mr. R. Anago (Burkina Faso)

Americas Ms. C. Roy (Canada)

Arab States Mr. N. Almarzouqi (UAE)

Asia and the Pacific Ms. L. Rowe (Australia)

Commonwealth of Independent States Mr. H. Rustamov (Azerbaijan)

Europe Mr. U. Petry (Germany)

The Appraisal Committee adopted working procedures in order for it to conduct its work and each member signed an individual confidentiality and disclosure of interest statement.

1. In its report to Council 2018, the Independent Management Advisory Committee (IMAC) mentioned that while the selection and appointment of external auditors is a matter for the Council and Member States, IMAC’s Terms of Reference provide for it to advise on the appropriate selection process and evaluation criteria, including the costs and scope of the services to be provided. As a matter of best practice, IMAC invited the Secretariat and the Appraisal Committee to consult with IMAC as appropriate.
2. Based on the ITU Financial Regulations and Rules and with advice obtained from the IMAC, the Secretariat[[1]](#footnote-1) drafted the terms of reference for Request for Proposals (RFP) as well as the evaluation methodology to be applied for the received proposals. Feedback was obtained from the Appraisal Committee members as well as from the IMAC, and the Secretariat finalized the RFP. On 12 December 2018, the Secretary-General invited by Circular Letter ITU Member States’ Administrations to inform their respective Supreme Audit Institutions (SAI) that the RFP had been published under the General Documentation heading of the ITU Council web page (<https://www.itu.int/en/council/Pages/documents.aspx>).
3. Detailed instructions and specific timelines had been outlined in the RFP, including an opportunity for the interested parties to request complementary information, through the ITU’s Procurement Division, by 15 February 2019. Final deadline for submission of proposals was fixed on 15 March 2019. Furthermore the instructions included that submissions should be drawn up in English or French and that the technical information shall be put in the Technical Envelope separated from the financial information which shall be put in the Financial Envelope. The separation of the financial and technical information is a formal submission requirement that needs to be met in order for a submission to be considered valid. The purpose of separating the technical and financial information is so that first the technical envelopes are opened and evaluated, and subsequently the financial envelopes are opened. This ensures that the knowledge of prices would not unduly influence the evaluation of the technical proposals.
4. By the closing date, two SAIs had submitted their proposals. Further to the opening of the technical envelopes by the ITU Procurement Division, it was found that one SAI had not complied with a formal submission requirement, as it had included financial information in the Technical Envelope. This is in contradiction with the formal submission requirement as outlined in Section 4.1.1 of the RFP stating “*No commercial information or prices shall be included in the technical proposal. Failure to comply with this rule will lead to disqualification.*” The other SAI met the formal submission requirements.
5. The Secretariat referred this to the Appraisal Committee, which carefully considered the issue by obtaining clarification from the ITU Procurement Division, as well from the Chair of the IMAC on the best way forward with one proposal being formally compliant whilst the other was not. It should be noted that the Appraisal Committee never received the technical proposal(s) and as such never reviewed the contents of the submissions.
6. The Chair of IMAC provided further considerations on best practice to have more than one proposal to review in order to achieve competition and reduce the risk of not having a viable proposal in case the only proposal does not fulfil the requirements of the RFP.

**THE DECISION MAKING PROCESS**

1. The impartiality and objectivity of the Appraisal Committee, in fact or in appearance, was at no point during the process ever questionable, and the final options that lay before the Committee for its adoption were as follows:
2. Move ahead with the appraisal of the one offer that was compliant as to its form when submitted; or,
3. Prepare a recommendation to Council[[2]](#footnote-2) that the process should be started over again to have a wider spread of offers whilst the Secretariat approached informally the current (Italian) external auditor to assess if he would be willing to accept that Council decides to extend his mandate for an additional period (to be adopted by Council at its 2019 session).

The consultation amongst the members of the Appraisal Committee led, by consensus, to option two. The ITU Legal Advisor provided his views on the process to be followed subsequently.

1. Further to the preferred option by the Appraisal Committee, and conditional upon validation by the Council, the Secretariat approached, at the request of the Committee, the current external Auditor, first informally and, upon positive feedback, also formally to confirm that he was available to provide auditing services to the ITU. The letter in which the President of the Corte dei Conti from Italy informed the Secretary-General of his availability to have the mandate extended for another two years can be found in Annex A to this report. The period of another two years mandate (auditing the accounts of the Union for the years 2020 and 2021), instead of only one year, was motivated by the fact that it would cover one biennium, namely 2020-21. It also allows sufficient time for the Secretariat, together with the Appraisal Committee in its current composition or altered, and as decided by the Council, to re-start and complete the RFP process.
2. The two SAIs that submitted their proposals would be encouraged to participate in the new RFP process.

**RECOMMENDATION OF THE APPRAISAL COMMITTEE**

1. On the basis of the above process, the Appraisal Committee agreed to recommend to the ITU Council (i) to cancel the tendering process, (ii) to decide to restart a complete new process and (iii) to extend the mandate of the current External Auditor for an additional period which will be sufficient to complete the new process, i.e. two years.
2. The Appraisal Committee would like to thank the ITU Secretariat for its assistance in providing support for this process.

ANNEX A



ANNEX B

DRAFT DECISION

Auditing of the accounts of the Union

The Council,

considering

*a)* Resolution 94 (Rev. Dubai, 2018);

*b)* the report of the Appraisal Committee for the selection of the External Auditor of the ITU,

taking into account

the ITU Financial Regulations and Rules (2018),

decides

1 to cancel the tendering process launched in December 2018 for an ITU External Auditor;

2 restart the selection process for an ITU External Auditor immediately after this Council session using the same methodology, as appropriate, and

3 extend the mandate of the Italian Supreme Audit Institution, Corte dei Conti, current External Auditor, for an additional period of two years for auditing its 2020 and 2021 financial statements,

instructs the Secretary-General

1 to bring this Decision to the notice of the President of the Italian supreme audit institution and to amend its current agreement with him, as appropriate;

2 to approach the six main regional telecommunication organizations by a circular letter calling for nominations to the Appraisal Committee for the new selection process

3 to provide the secretarial support to the Appraisal Committee so that it can submit a recommendation for Council to appoint, at its 2020 session, a new External Auditor.

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1. Throughout the process, the Secretariat’s role was taken up by the ITU Internal Audit Unit, in close collaboration with the ITU Procurement Division and with inputs from the ITU Legal Advisor. [↑](#footnote-ref-1)
2. In accordance with CS 41, the Council shall act on behalf of the Plenipotentiary Conference and further to Resolution 94 (Rev. Dubai, 2018) and Article 28 of the ITU Financial Regulations, the Council has the authority, in-between Plenipotentiary Conferences, to make the necessary arrangements for appointing the External Auditor, and thus on exceptional circumstances, for extending his mandate. [↑](#footnote-ref-2)