



Agenda item: ADM 2

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9 April 2024

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## Report by the Secretary-General

### FINANCIAL OPERATING REPORT FOR THE FINANCIAL YEAR 2022

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#### Purpose

Under No. 101 of the Convention of the International Telecommunication Union and Article 30 of the Financial Regulations of the Union, the Secretary-General requests to submit a financial operating report each year to the Council.

The Financial Operating Report for the financial year 2022 covers:

- The audited accounts for the financial year 2022 of the budget of the Union.

#### Action required by the Council

The financial operating report on the audited accounts and the draft resolution in Annex A are submitted to the Council for **consideration** and **approval**.

Once examined and approved by the Council, the report will be communicated to the Member States and Sector Members.

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#### References

Convention: No. [101](#)

Financial Regulations of the Union: [Article 30](#)

**Annex: 1**

## Financial operating report

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## Financial Statements Analysis

### Introduction

- 1 The financial statements and the financial operating report for the year ended 31 December 2022 are submitted in accordance with Article 30 of the Financial Regulations of the Union - Edition 2018.
- 2 The Financial Statements are prepared in accordance with the International Public Sector Accounting Standards (IPSAS) and cover all operations of the Organization, including those funded by regular budget, extrabudgetary, operating and finance revenue.
  - a. The Financial Regulations specify a biennial financial period; however, in accordance with IPSAS, annual financial statements are required to be presented. ITU's biennial budget is prepared under a results-based budget format, the scope of which includes:
    - i. the regular budget - the contributions from the Member States as well as those from the Sector Members and Associates;
    - ii. cost-recovery revenue (including Publications, Satellite Network Filings, revenue from interest and other revenue generating activities); and if necessary, withdrawals, from the reserve account.
  - b. All other revenue including extrabudgetary funds are not reported under the budget of the Union.
- 3 Reporting financial statements on an IPSAS basis has no impact on the preparation or reporting of ITU's results-based budget, which continues to be presented on a modified cash basis. As the basis of the budget and the financial statements differ, a reconciliation between the budget and the IPSAS statement of financial performance is presented under Statement V: Statement of comparison – Budget and actual amounts in note 25 to the Financial Statements.

### Financial operating report highlights for 2022

- 4 The Union's accounts are kept in Swiss Francs. The financial statements presented include the Extrabudgetary funds of the Union.
- 5 Table 1 below summarizes the financial situation of the ITU in 2022 as compared to the previous year 2021.

**Table 1: Financial Situation for the years 2022 and 2021**

Expressed in CHF '000	2022	2021 (restated)	Variation
Revenue	172 364	177 586	(5 222)
Expenses	196 805	190 882	5 923
<b>Surplus (Deficit)</b>	<b>(24 442)</b>	<b>(13 296)</b>	<b>(11 145)</b>
Asset	317 882	337 565	(19 683)
Liabilities	530 941	748 351	(217 410)
<b>Net assets</b>	<b>(213 059)</b>	<b>(410 786)</b>	<b>197 727</b>

- 6 As noted in table 1 above there is a decrease in overall revenue from 2022 compared to 2021 by CHF 5.2 million. This decrease is due to a fall in cost recovery and finance revenue of CHF 11 million

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which is offset by increases in assessed and extrabudgetary contributions (CHF 5.8 million). The Expenses for 2022 compared to 2021 have also increased by CHF 5.9 million which is mostly a result of increases in mission, employee, and other operating expenses. The next sections provide further analysis of the revenue and expenses.

- 7 The assets of the Organization have decreased by CHF 19.7 million, which is mostly due to decreases in cash and cash equivalents, investments, and receivables. The liabilities have decreased by CHF 217.4 million, which is driven by the decrease in the value of After Staff health Insurance (ASHI) fund, as a result of changes in discount rates.
- 8 The deficit noted above of CHF 24.4 million is the overall amount of expenses exceeding revenue in 2022 for the entire ITU Organization. However, the deficit against budget implementation is CHF 4.8 million, which is detailed documented in Statement V and further described in note 25 of the Financial Statements. Table 2 below shows the financing of the budget deficit from the reserve and savings from previous years funds. As at 31 December 2022 the Reserve Fund balance is CHF 28.4 million.

**Table 2 – Financing of Budget for 2022**

Description	CHF '000
2022 Budget deficit	(4 847)
<b>Financed from Reserve Fund</b>	
- WDTC deferred activities	1 321
- WTSA deferred activities	1 169
- Cost of investigation Unit (C20/78)	226
- Withdrawal from Reserve Account in 2022	316
<i>Total - reserve account</i>	<i>3 032</i>
<b>Financed from Savings from Previous Years Fund</b>	
- Decision 619 (expenses 2022)	643
- Forensic Audit (expenses 2022)	486
- Financed by Council decision	686
<i>Total - savings from previous years fund</i>	<i>1 815</i>
Total Financing	4 847
<b>Balanced Budget as at 31 December 2022</b>	<b>-</b>

## Financial Performance

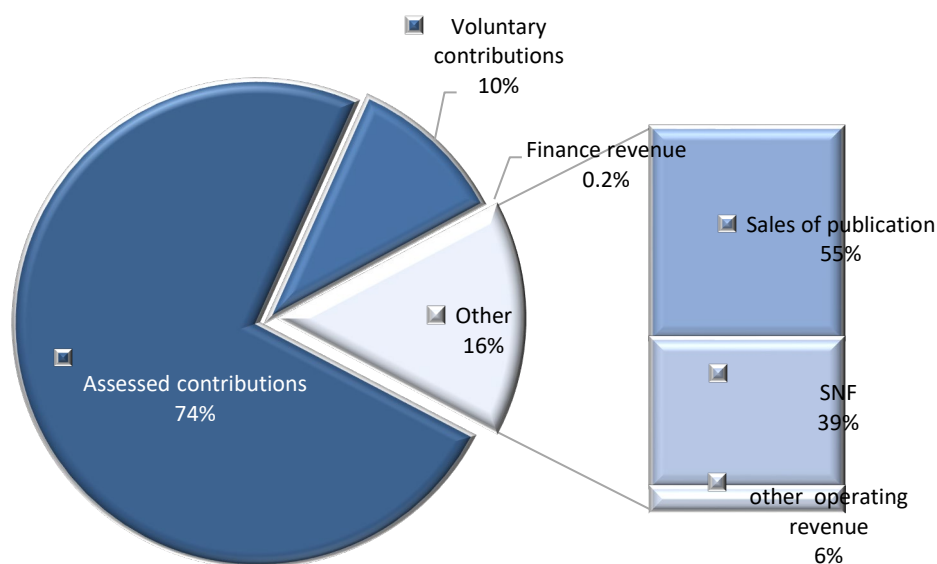
### Revenue

9 In 2022, the ITU revenues amounted to CHF 172.4 million (CHF 177.6 million in 2021). Table 3 below shows the major sources of revenue for both 2022 and 2021. Revenue for assessed and voluntary contributions have increased by CHF 5.8 million. The publications and satellite network filings have fallen by CHF 5.8 million which has impacted implementation of ITU’s approved budget 2022-2023. Other revenue has fallen by CHF 5.2 million which is mostly the result of changes to recognition of financing for the regular budget.

**Table 3 – Revenue sources 2022 and 2021**

Expressed in CHF '000	2022	2021 (restated)	Variation
Assessed contributions	127 613	125 611	2 002
Extrabudgetary contributions	17 965	14 123	3 842
- Voluntary contributions	3 947	2 850	1 097
- Trust fund contributions	14 018	11 273	2 745
Cost recovery revenue	26 473	37 354	(10 881)
- Publications	14 604	19 411	(4 807)
- Satellite Network Filings (SNF)	10 285	11 240	(955)
- Other revenue	1 584	6 703	(5 119)
Finance revenue / (cost)	313	497	(184)
<b>Total Revenue</b>	<b>172 364</b>	<b>177 586</b>	<b>(5 222)</b>

**Figure 1 – Revenue Analysis breakdown for 2022**



10 As can be seen from figure 1 above, the main source of revenue is from assessed contributions representing 74 per cent followed by the cost recovery revenue representing 16 per cent which included mainly the sales of publications and the satellite network filings (SNF).

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- 11 Contributions recognised for trust funds (recorded under Extrabudgetary contributions in table 3) amounted to CHF 14 million in 2022 (CHF 11.3 million in 2021). The reason for the increase is due to increased implementation rate in 2022 compared to 2021 of trust funds.
- 12 Voluntary contributions are recorded under Extrabudgetary contributions in table 3 amounted to CHF 4.0 million in 2022 compared to CHF 2.9 million in 2021. More detailed information on the extrabudgetary activities is available in [Document C23 INF/12](#).
- 13 The implementation of the Funds in Trust (FIT) projects generated a revenue of CHF 941,000 in 2022 (CHF 724,000 in 2021) as support cost.

## Expenses

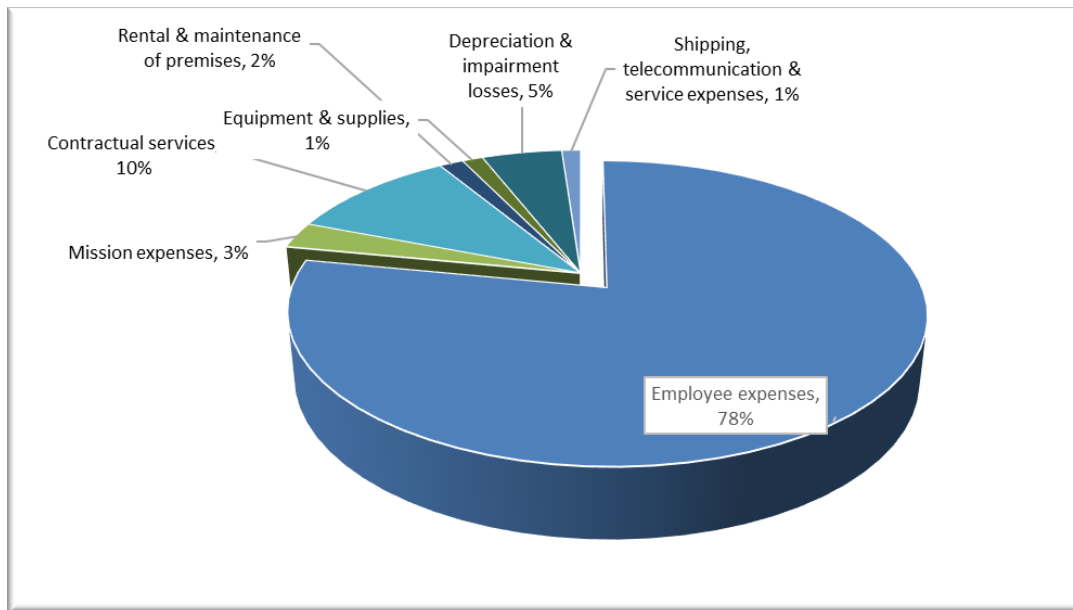
- 14 In 2022, the ITU expenses amounted to CHF 196.8 million (CHF 190.9 million in 2021) which represented a 3.1% increase compared to 2021. Table 4 shows the comparison of expenses for 2022 compared to 2021. This is the result of a lower ASHI charge which has been offset by a higher general service staff costs. It is noted that the biggest expense, employee expenses in 2022 has remained stable compared to 2021. The main increase for 2022 is related to the travel expenses which have increased to CHF 5.1 million) but have not yet reached their pre-Covid level (CHF 7.7 million in 2019).

**Table 4 – Comparison of expenses for 2022 to 2021**

Expressed in CHF '000	2022	2021 (restated)	Variation	Variation %
Employee expenses	153 510	151 899	1 611	1.1%
Mission expenses	5 589	443	5 147	1162.4%
Contractual services	20 527	21 262	(735)	-3.5%
Rental and maintenance of premises and equipment	2 860	1 847	1 013	54.8%
Equipment and supplies	2 460	2 297	163	7.1%
Depreciation and impairment losses	9 495	9 693	(198)	-2.0%
Shipping, telecommunication and service expenses	2 242	1 505	737	49.0%
Other expenses	122	1 936	(1 814)	-93.7%
<b>Total Expenses</b>	<b>196 805</b>	<b>190 882</b>	<b>5 923</b>	<b>3.1%</b>

- 15 Figure 2, comparison of expenses in 2022 shows the breakdown of expense types in 2022, which highlight ITU's high level of staff costs which are 78% of all costs. Contractual services make up the next biggest category of expense at 10% which is comparable to 2021.

**Figure 2 – Composition of expenses in 2022 (CHF 196.8 million)**



## Financial position

16 On 31 December 2022, the Organization had net assets of CHF 213.1 million negative, with total assets of CHF 317.9 million and total liabilities of CHF 530.9 million as shown in table 5 below. The net assets were higher by CHF 197.7 million compared to 2021. This was due to changes in the assumptions for the ASHI valuation for 2022 compared to 2021. However, there is still a large deficit. The net assets will continue to remain negative at CHF 213.1 million due to liability of the After Staff Health Insurance (ASHI) fund (CHF 344.1 million). Addressing the model for long-term staff benefits is a critical requirement for this trend to change.

**Table 5 – Summary of Assets, Liabilities, Net assets and ASHI**

Expressed in CHF '000	2022	2021 (restated)	Variation
<b>Asset</b>	<b>317 882</b>	<b>337 565</b>	<b>(19 683)</b>
<b>Liabilities</b>	<b>530 941</b>	<b>748 351</b>	<b>(217 410)</b>
<b>Net assets</b>	<b>(213 059)</b>	<b>(410 786)</b>	<b>197 727</b>
<i>ASHI - Liability (long term)</i>	<i>344 102</i>	<i>545 636</i>	<i>(201 534)</i>

## Assets

17 Current assets less current liabilities amounted to CHF 153.8 million (2021: CHF 171.8 million), which is attributable to the significant amount of cash and cash equivalent. As at 31 December 2022, cash and cash equivalent amounted to CHF 193.9 million as compared to CHF 203.8 million in 2021.



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### Assessed contributions-receivables

- 18 The collection of assessed contributions has a direct impact on the liquidity position, and, as such, is extremely important for the smooth implementation of the appropriated regular programme budget of the Organization. While the Plenipotentiary Conference approves the operation of the reserve fund at a minimum level of 6% (CHF 10 million) this represents only 3 weeks of expenses (currently the reserve fund stands at CHF 28.4 million, currently representing 7 weeks of expenses for 2022). This amount is essential to maintaining the operability of the Organization. The collection rate for the year ended 31 December 2022 was around 93% as compared to 96% at December 2021.
- 19 The gross assessed contributions are due and payable to the Organization in accordance with the Constitution and Financial Regulations of the Organization. However, as required under IPSAS, an allowance is made when payment of contributions is not expected as per the financial regulations and rules.

### Liabilities

- 20 Total liabilities as at 31 December 2022 amounted to CHF 530.9 million (CHF 748.4 million as at 31 December 2021).

### Employee Benefits

- 21 The most significant liabilities were the future employee benefits accrued by staff members and retirees. The After-Service Health Insurance (ASHI) liability alone represents 68% of the ITU's total liabilities as at 31 December 2022. However, the ASHI Liability decreased in 2022 by CHF 201.6 million compared to 2021. This was mostly driven by an increase in the discount rate due to increasing global interest rates.
- 22 ITU finances payments due under its ASHI liability on a pay-as-you-go basis. The Resolution 1405 of the budget 2022-2023 includes a withdrawal of CHF 1 million each year from the Reserve account to finance the long-term liability. In accordance with IPSAS-39, no plan assets have been offset against the liability, however, an amount of CHF 14. million has been accumulated in ASHI Special Account as at 31 December 2022 to cover future liabilities.

### Long Term Borrowings

- 23 ITU currently has four interest free loans with the Fondation des Immeubles pour les Organisations Internationale (FIPOI). As of 31 December 2022, three of these loans are reflected in the financial statements at fair value. The fourth loan does not yet have a repayment schedule and is therefore valued at amortized costs until repayments under this loan begin. The total par value of the amount outstanding is CHF 54.5 million) (net present value is CHF 48.3 million as reported in Statement I) of which 3 are for the repayment of existing buildings and have an amount outstanding as at 31 December 2022 of CHF 35 million (net present value is CHF 28.9 million) (originally CHF 67 million). Their repayment amounts are yearly with final installments due until 2039 for first loan (amount outstanding CHF 7.5 million) (net present value is CHF 6.6 million) and for loan 2 and 3 (amount outstanding CHF 27.5 million) (net present value is CHF 22.2 million) due until 2051. The fourth loan amount is for the new building project and the loan amount outstanding is CHF 19.5 million.
- 24 The outstanding amount of the first 3 loans has been discounted using the Swiss Confederation 30-year bonds rate of 1.476% at December 2022 (-0.095% for 2021).

### **Budget result vs IPSAS result**

- 25 Statement V of the financial statements is prepared based on the regular budget of ITU's Budget Framework and provides a view of the utilization of the appropriated regular budget on a modified cash basis. On that basis, the Organization overspent against the appropriated regular budget by CHF 4.8 million, which has been financed as per table 2 above.
- 26 A reconciliation between budgeted result and IPSAS result is included in the financial statements (Statement V). It is important to note that the financial performance statement (Statement II) includes other areas such as voluntary contributions, depreciation and other entity differences which are not included in budget. Statement V highlights the major differences in the Budget of the organization to the overall revenue and expenses.

### **Responsibility**

- 27 As provided for in Article 30 of the Financial Regulations of the Union, the following financial statements are drawn up in accordance with IPSAS. The financial statements and notes thereto, form an integral part of this document, present an accurate view of the Union's financial situation at 31 December 2022.
- I. Statement of financial position – as at 31 December 2022
  - II. Statement of financial performance for the year ended 31 December 2022
  - III. Statement of changes in net assets for the year ended 31 December 2022
  - IV. Statement of cash flows for the year ended 31 December 2022
  - V. Statement of comparison of budgeted amounts and actual amounts for the year ended 31 December 2022

### **External audit of the Union**

- 28 Pursuant to Article 28 of the Financial Regulations and Financial Rules, and in accordance with Decision 621 of the Council 2020 at its second virtual consultation, The National Audit Office of United Kingdom of Great Britain and Northern Ireland was appointed as External Auditor of the Union's accounts, in a manner decided by the plenipotentiary conference and for a four-year term.



**Statement on Internal Control for 2022**

**INTERNATIONAL TELECOMMUNICATION UNION, GENEVA**

## Statement on Internal Control for 2022

### Scope of responsibility

As Secretary-General, I am accountable for the administration of ITU; for the implementation of its mandate, programmes and other activities. In accordance with the responsibilities assigned to me, in particular in provisions Nos 73 bis and 75 of the Constitution (Article 11), and in Articles 1, 10, 16, 28, 29 and 30 of the Financial Regulations and Financial Rules which involves maintaining a system of sound internal controls designed to provide reasonable assurance of the achievement of objectives as well as to help ensure reliable financial and non-financial reporting, effective and efficient operations, and compliance with regulations, rules, service orders and policies, including with regard to preventing and detecting fraudulent activities.

### Purpose of the system of internal controls

Internal control is designed to reduce and manage rather than eliminate the risk of failure to achieve ITU's aims and objectives. Therefore, it can only provide a reasonable and not absolute assurance of effectiveness. It is based on an ongoing process designed to identify the principal risks, evaluate the nature and extent of those risks and manage them efficiently, effectively and economically.

As an integral part of its internal control system, the ITU Council, the Secretary-General, senior management and other staff are committed to implementing internal controls designed to provide reasonable assurance on the following objectives:

- a) Effectiveness and efficiency of operations and safeguarding of assets;
- b) Reliability and timeliness of financial information; and
- c) Conformity with applicable ITU regulations and rules.

My current statement on ITU's internal control processes, as noted above applies for the year ended 31 December 2022, and up to the date of the approval of the Organization's 2022 financial statements.

### Risk management and control framework

Since taking office as Secretary-General on 1 January 2023, I have been working to ensure that the system of internal controls will better meet the needs of the ITU in the future. This work will continue as the needs of the Organization evolve. In particular, a transformation roadmap has been developed to ensure that the administrative and support functions, related processes and internal controls are significantly improved during my tenure.

In parallel, following approval by the ITU Council in July 2023, I am establishing an Oversight Unit, including internal audit, investigations and evaluation functions to further improve controls, enhance transparency and accountability and promote a culture of continuous learning and development for the organization. Pursuant to Financial Regulations (article 1), Staff Regulations and Staff rules, I have delegated authority and accountability to Elected Officials, Chiefs of Departments and Heads of Divisions or Units. Every individual in ITU has, to varying degrees of responsibility, a role to play in internal control.

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Executive managers are responsible for the effective use and improvement of internal controls for the activities under their respective authority. I derive assurance from Elected Officials, Chiefs of Departments, Heads of Divisions and Units confirming, through the signing of internal letters of representation, that they have duly exercised delegated financial authorities and responsibilities in compliance with the ITU internal control framework, including its regulatory framework. Furthermore, this process was followed by a self-assessment questionnaire focusing on the internal control objectives noted above.

A New Accountability Framework model was approved by the Council at its session in March 2022. Management dashboards are being improved to provide real-time business data from ERP and other reports, together with trend analyses and other reports. These reports will be regularly shared and discussed with the Coordination Committee (CoCo), the Management Coordination Group (MCG) and the ITU oversight bodies.

Recommendations have been issued by the Internal Audit Unit, the Joint Inspection Unit (JIU), the Independent Management Advisory Committee (IMAC) and the External Auditors. These recommendations stem from independent reviews and audits on compliance and control effectiveness. The Secretary General notes the need to strengthen oversight in ensuring implementation of these recommendations in a timely manner.

### **Review of effectiveness**

In November 2020, ITU management set up a corporate compliance dashboard to track the oversight recommendations from the External Auditor, IMAC, JIU and the Internal Audit Unit. This tool enables ITU management and ITU oversight bodies to obtain comparative information of the risk related to each recommendation, have a clear real-time view of the recommendations' status and the progress made for their implementation or measures to mitigate the residual risks. At the end of 2022, the implementation rate of all related recommendations of the Internal Audit Unit, External Auditor and IMAC was 70 per cent, including the Forensic audit recommendations.

A Risk management framework has been drawn up with the aim of capturing key Organizational risks. However, risk management processes and related systems development are not yet completed. This work will need to be continued over the course of 2023 and beyond so that risk identification, related analysis and risk mitigation processes are in place.

A service order (No. 19/09) issued on 2 May 2019 on the ITU Policy Against Fraudulent and Other Proscribed Practices (the "Policy") outlined principles and procedures to prevent, detect and respond to fraudulent and other proscribed practices. The Policy reflects ITU's commitment to upholding the highest standards of ethics, transparency and accountability, noting that ITU personnel have a duty to report information or evidence to support a reasonable suspicion of fraud, corruption and other proscribed practices and, when doing so, will be protected from retaliation.

A service order (No. 19/10) issued on 2 May 2019 on the ITU Investigation Guidelines, contains procedures for the conduct of an investigation, including steps to prevent the unauthorized disclosure of confidential information and ensure a prompt response to cases of alleged fraud. However, these guidelines would need to be revised as the processes for investigations will be adjusted with the creation of an oversight unit.

In 2022, the Working Group on Internal Controls (WGIC) set up in 2019, continued its work on strengthening internal controls (HQ and regional/area offices) with the participation of all the concerned stakeholders from BDT and departments of the General Secretariat. The group's mandate was to coordinate the development and implementation of an Action Plan for BDT and other related services in the General Secretariat, and to

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address all the initial findings/recommendations from Internal and External Audit. As part of the recommendations, the following systems and measures were implemented:

- New e-recruitment system and competitive procedures for selection of consultants;
- Improved management and control of the use of consultants;
- Common IT Systems for BDT; and
- Accountability Framework.

During 2022, the Investigation Unit carried out the following activities:

- a) Nine pending cases carried over from 2021 and four new cases were assigned to the Investigation Unit. Out of nine cases closed, seven were unsubstantiated and the remaining two were forwarded to the Secretary-General for disciplinary action.
- b) In none of the cases investigated was any financial fraud to the detriment of ITU established and substantiated, which would have required the Investigation Unit to inform the External Auditor (as per ITU Financial Regulation art. 28.9). No financial loss was observed in any of the cases concluded.

External Auditors have made several recommendations relating to internal controls. All the recommendations made by the ITU External Auditor are registered in the ITU Compliance Dashboards and are being reevaluated, while action plans are being reviewed as appropriate to address any identified weaknesses, to ensure continuous improvement. Management's responses to these recommendations will be followed up by the Council Working Group on Financial and Human Resources (CWG-FHR).

I have taken note of the Internal Auditor's findings regarding the need to improve governance, risk management and the effectiveness of several controls in a number of audited areas. Actions have been and will continue to be undertaken to reinforce internal controls and reduce risks at the Headquarters and in the field offices.

I am further advised by the Independent Management Advisory Committee (IMAC) that serves in an expert advisory capacity and assists the Secretary-General and the Council in fulfilling their governance responsibilities, including ensuring the effectiveness of ITU's internal control system, risk management and governance processes.

Under the supervision of the Deputy Secretary-General, in 2023, key corporate functions, including business risk management, business intelligence and analytical capacities, are being reassessed with a view to establishing a consolidated risk-management, internal control and compliance function, and expanding the work of the WGIC across the entire organization.

### **Internal control issues arising during the year**

The responses provided by Elected Officials, Chiefs of Departments, Heads of Divisions and Units thought the 2022 self-assessment questionnaire that support the letter of representation proved valuable in identifying opportunities for improvement. The following should be noted:

- a) In 2014, the then Secretary-General decided that, in accordance with Article 10.4 of the Financial Regulations ("The Secretary-General may make such ex-gratia payments as he deems necessary in the interest of the Union. A statement of such payments shall be included in the financial operating report."), a discretionary payment equivalent to two months of base salary per term served would be paid to any elected official upon separation from service. In the case of an outgoing Secretary-General, this discretionary payment was capped at six months of base salary. This practice continued in 2018 and 2022. Consequently, the following discretionary payments have been made to outgoing elected officials since 2014:

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- Year 2014: The Secretary-General received an ex-gratia payment of six months of his last basic salary or CHF 79,698;
- Year 2018: The Directors of the Radiocommunication Bureau and the Telecommunication Development Bureau each received a payment equivalent to four months of their last basic salary or CHF 52,092 each;
- Year 2022: The Secretary-General received an amount equivalent to six months of his last basic salary or CHF 83,701; the Deputy Secretary-General received an amount equivalent to six months of his last basic salary or CHF 76,830 (less deduction for purchase of IT equipment totaling CHF 3,528); and the Director of the Telecommunications Standardization Bureau received an amount equivalent to four months of his last basic salary or CHF 51,220.

In February 2023, a whistle-blower raised awareness about this issue, bringing it to the attention of the Secretary-General, Ethics Office and other oversight bodies. Following consultation with the ITU Legal Counsel, to determine whether there was a legal basis for these payments under the ITU's Financial and Staff Regulations, it was confirmed that these payments did not align with the ex-gratia definition stipulated in ITU's Financial Regulations, as they were neither essential nor beneficial to the Union. The Secretary-General, following consultations with IMAC and the External Auditors, decided to cancel this payment practice effective immediately. I have taken note of the External Auditor's qualification in respect of these transactions.

The Secretary-General brought this matter to the attention of the Council for their information and guidance. Moreover, in order to strengthen good governance and control mechanisms within the Union, the Secretary-General deemed it appropriate to propose to the Council the abrogation of Article 10.4 for such payments, with immediate effect, which was approved;

- b) New building project had been discussed at July 2023 Council and the additional session of Council in October. The Secretariat undertook necessary measures to re-evaluate the existing design and technical plans for the new building, within the overall parameters under which the building permit was granted, with the objective of aligning the project's costs as much as possible to the currently approved budget. This exercise confirmed that rescoping within the current project design would not generate major project efficiencies. The additional session of Council in October 2023 invited the Secretariat to take actions in a timely manner on 2 scenarios: A) investigating how to secure the funding for the budget overrun, and B) investigating how to reorient the design to fit the remaining approved budget. The ongoing activities will be monitored in line with the Council's recommendations to ensure a cost effective solution can be implemented in a timely manner;
- c) Development of risk management processes and maintenance of risk registers are required to be completed across the Organization to effectively capture risks. The implementation of enterprise risk management at all levels of the Union remains a critical element of the vision of the Secretary-General for a more efficient and effective as well as transparent and accountable Organization. Further significant work is required to ensure that this task is completed;
- d) Adherence to the policy of advance purchase of tickets. The Secretary-General continues to build on the previous administration's efforts to ensure that travel is managed in a more efficient and cost-effective manner. Travel plans have been established and costed for all units across the ITU and regular monitoring will be done;
- e) Implementation of human resources processes relating to talent acquisition and learning and skills development. The Secretary-General is committed to the continued strengthening of a recruitment framework that enables the Organization to identify, attract and acquire diverse talent on a wide geographical basis in a fast, efficient, fair and professional manner to effectively deliver on mandated activities;



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- f) Implementation of personal data protection and privacy principles. The Organization has finalized its policy on data privacy and protection, which will be followed by a comprehensive privacy and protection programme. The relevant data controller(s) will be responsible for embedding the approved data protection and privacy controls within the corresponding systems; and
- g) The ITU management acknowledges the vital importance of key financial data as well as financial expertise and sound processes in preparing correct and thorough financial statements, with an emphasis on refining financial reporting and ensuring compliance with IPSAS. In 2023, in light of noticeable shortcomings in our 2022 financial statements, as noted by the External Audit, and gaps in essential financial working papers, we engaged external consultants and leaned heavily on the dedication of our finance team to rectify these discrepancies and bring our records up to standard. This was essential, given the concerns raised by the External Audit, delays in preparing the auditable financial statements, and the reputational risk faced by the ITU. The combined efforts in updating and aligning all financial records with the current balances of accounts have made it possible to ensure that financial statements are of auditable quality. A continued focus will be placed on rigorous maintenance of all accounts, specifically in ensuring precise evaluation of outstanding payables, receivables, and extrabudgetary funds. Such diligence is paramount not only for accurate representation of assets and liabilities but also to bolster our underlying financial processes and accounting frameworks. Furthermore, although the efforts undertaken have substantially improved the quality of our accounts, substantial efforts will need to continue to ensure that appropriate practices are sustainably embedded in the ITU's financial management and that accounts for 2023 and beyond are prepared at the required level of quality. Capacity and expertise of financial management will need to be substantially strengthened as well.

### **Conclusion**

I am committed to building an organization of excellence, not just in delivery externally but also internally, an organization that our members and our staff can have trust in.

As noted above I assumed office in January 2023 and, therefore, rely on the pre-existing internal control framework that was in place until that point, as well as decisions made by the previous administration. It is important from the outset of my term to set the 'tone at the top' and ensure that internal controls weaknesses are addressed. The senior management will be dedicated to reviewing and enhancing our internal control framework to ensure it is implemented and aligned with the evolving needs of ITU.

This work will be further enhanced through the internal transformation team which has been approved during the July 2023 Council. This team will identify areas for improvement, identify key risks, report to Council, while implementing necessary changes to strengthen our internal control and improve related processes especially within the finance functions.

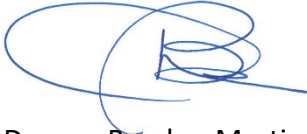
I look forward to collaborating with relevant stakeholders, including the Council, External Audit, Independent Management Advisory Committee, other Elected Officials, Chiefs of Departments, and Heads of Divisions or Units, to ensure that the internal control framework aligns with the strategic direction of the ITU and supports our goals of reliable financial and non-financial reporting, operational effectiveness, accountability, compliance, and the prevention and detection of fraudulent activities.



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I furthermore confirm that I will ensure a formal, thorough and proper transition and handoff takes place with all future leadership team members of the ITU.

Based on the above, ITU must further improve its internal control processes over the coming years. From the knowledge and information available, the Union's system of internal control on key processes for the year ended 31 December 2022 had significant gaps that need to be addressed. As the work to rectify the financial statements has concluded in November 2023, I conclude that at the date of the approval of the financial statements ITU has a relatively effective system of internal control on key processes. However, efforts to ensure its continuous improvement will remain necessary.



Doreen Bogdan-Martin  
Secretary-General

Geneva, 24 January 2024

## **INDEPENDENT AUDITOR'S REPORT TO THE INTERNATIONAL TELECOMMUNICATION UNION**

### **Opinion on financial statements**

I have audited the financial statements of the International Telecommunication Union for the year ended 31 December 2022, which comprise the Statement of Financial Position as at 31 December 2022; Statement of Financial Performance, Statement of Changes in Net Assets, Statement of Cash Flows, Statement of Comparison - Budget and Actual Amounts for the year then ended; and the related notes, including the significant accounting policies.

The financial reporting framework that has been applied in their preparation is applicable law and International Public Sector Accounting Standards as developed and approved by the International Public Sector Accounting Standards Board.

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the International Telecommunication Union as at 31 December 2022 and its financial performance and its cash flows for the year then ended in accordance with International Public Sector Accounting Standards.

### **Qualified opinion on regularity**

In my opinion, except for the effects of the matters described in the *Basis for qualified opinion on regularity* section of my report, the revenue and expenses have been applied to the purposes intended by the Council of the International Telecommunication Union and the financial transactions conform to the International Telecommunication Union's Financial Regulations. The circumstances of my qualification are described in my attached long form report, and were highlighted to Council in July 2023.

### **Basis for qualified opinion on regularity**

In 2022, the International Telecommunication Union incurred CHF 211,751 of expenditure related to payments to former elected officials, which did not comply with the definition of an ex-gratia payment under the International Telecommunication Union's Financial Regulation 10.4. I consider these amounts to be material to my opinion on regularity. In my view, these payments did not meet the definition of ex-gratia as set out in ITU's Financial Regulations as they were not necessary, or in the interest of the Union and therefore have no basis for payment under ITU's financial or staff regulations.

### **Basis for opinions**

I conducted my audit in accordance with International Standards on Auditing (ISAs) and the International Telecommunication Union Financial Regulations and Financial Rules. My audit of regularity was undertaken using the principles set out within the ISAs. My responsibilities under these standards are further described in the *Auditor's responsibilities for the Audit of the Financial Statements* section of my report.

I am independent of the International Telecommunication Union in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinions.

### **Other Information**

Management is responsible for the other information. The other information comprises information included in the Annual Financial Operating Report, but does not include the financial statements and my auditor's report thereon.

My opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in my report, I do not express any form of assurance conclusion thereon.

## ITU ANNUAL FINANCIAL OPERATING REPORT AND FINANCIAL STATEMENTS 2022

My responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated.

If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact.

I have nothing to report in this regard.

### **Matters on which I report by exception**

I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- proper accounting records have not been kept by the International Telecommunication Union, or proper returns adequate for the audit have not been received from any third parties;
- I have not obtained all the information and explanations which I consider necessary for the purposes of my audit;
- the information given in the Annual Financial Operating Report is not consistent with the financial statements and with information obtained during the course of the audit; or
- I am required to report on other matters outlined in the International Telecommunication Union's Financial Regulations additional terms of reference governing external audit.

### **Responsibilities of the Secretary-General 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, and for such internal control as the Secretary-General determines is 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 International Telecommunication Union's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Secretary-General either intends to liquidate the International Telecommunication Union or to cease operations, or has no realistic alternative but to do so.

The Secretary-General is responsible for overseeing International Telecommunication Union's financial reporting process.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

My responsibilities 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 to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it 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, I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- identify 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

ITU ANNUAL FINANCIAL OPERATING REPORT AND FINANCIAL STATEMENTS 2022

that is sufficient and appropriate to provide a basis for my 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 override of internal control.

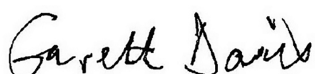
- obtain an understanding of internal control relevant to the audit to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the International Telecommunication Union's internal control.
- evaluate the appropriateness 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, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the International Telecommunication Union's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the International Telecommunication Union to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

In addition, I am required to obtain evidence sufficient to give reasonable assurance that the revenue and expenses reported in the financial statements have been applied to the purposes intended by the Council and the financial transactions confirm to the Financial Regulations which govern them.

I 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 I identify during my audit.

## Report

I have also issued a final long-form audit report on the results of my audit, in addition to my earlier Interim Report of July 2023.



**Gareth Davies**

**24 January 2024**

Comptroller and Auditor General  
National Audit Office  
157-197 Buckingham Palace Road  
Victoria, London SW1W 9SP  
United Kingdom

## Financial Statements

### Statement I: Statement of Financial Position

For the year ended 31 December 2022

(In thousands of CHF)

Description	Notes	31 December 2022	31 December 2021 (restated)	01 January 2021 (restated)
<b>ASSETS</b>				
<b>Current assets</b>				
Cash and cash equivalents	7	193,868	203,811	135,330
Investments	8	13,860	21,275	59,253
Receivables - exchange transactions	9	5,333	10,989	8,481
Receivables - non-exchange transactions	9	12,461	8,502	7,396
Inventories	10	307	467	459
Other receivables	11	5,441	6,325	8,113
<b>Total current assets</b>		<b>231,270</b>	<b>251,369</b>	<b>219,032</b>
<b>Non-current assets</b>				
Property, plant and equipment	12	63,412	71,671	78,040
Intangible assets	13	3,431	793	1,443
Assets under construction	14	19,769	13,732	9,443
<b>Total non-current assets</b>		<b>86,612</b>	<b>86,196</b>	<b>88,926</b>
<b>Total ASSETS</b>		<b>317,881</b>	<b>337,565</b>	<b>307,958</b>
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Payables	15	10,541	7,456	5,687
Contributions received in advance	16	50,823	53,572	43,795
Deferred revenue	16	10,809	10,415	9,861
Borrowings and financial debts	17	1,391	1,391	1,391
Employee benefits	18	245	424	10
Provisions	19	1,459	1,372	1,105
Other debts	20	2,230	4,962	4,999
<b>Total current liabilities</b>		<b>77,498</b>	<b>79,592</b>	<b>66,848</b>
<b>Non-current liabilities</b>				
Borrowings	17	46,940	51,991	45,718
Employee benefits	18	368,472	570,083	656,021
Allocated third-party funds	21	35,350	43,470	35,560
Third-party funds in process of allocation	21	2,679	3,216	3,885
<b>Total non-current liabilities</b>		<b>453,441</b>	<b>668,760</b>	<b>741,184</b>
<b>TOTAL LIABILITIES</b>		<b>530,939</b>	<b>748,352</b>	<b>808,032</b>
<b>TOTAL NET ASSETS</b>		<b>(213,057)</b>	<b>(410,787)</b>	<b>(500,074)</b>
ITU reserve account	3.10	28,388	29,386	29,344
Other reserves & funds	3.11	64,322	68,063	59,396
Extrabudgetary funds	3.12	14,036	16,621	18,391
ASHI actuarial gains/(losses)	18	51,435	(164,075)	(267,574)
Accumulated Surpluses/(deficit)		(371,238)	(360,781)	(339,631)
<b>RESERVES AND FUNDS BALANCES</b>		<b>(213,057)</b>	<b>(410,786)</b>	<b>(500,074)</b>

*The accompanying notes form an integral part of these financial statements.*

*Please refer to Note 30 for details on the restated comparative period.*

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**Statement II: Statement of Financial Performance**

For the year ended 31 December 2022

(In thousands of CHF)

Description	Notes	31 December 2022	31 December 2021 (restated)
<b>REVENUE</b>	22		
Assessed contributions		127 613	125 611
Extra-budgetary Contributions		17 965	14 123
Other operating revenue		26 473	37 355
<b>Total revenue</b>		<b>172 051</b>	<b>177 089</b>
<b>EXPENSES</b>	23		
Employee expenses		153 510	151 899
Mission expenses		5 589	443
Contractual services		20 527	21 262
Rental and maintenance of premises and equipment		2 860	1 847
Equipment and supplies		2 460	2 297
Depreciation and impairment losses		9 495	9 693
Shipping, telecommunications and service expenses		2 242	1 505
Other expenses		122	1 936
<b>Total expenses</b>		<b>196 805</b>	<b>190 882</b>
Finance revenue / (cost)	22	313	497
<b>Surplus/(deficit) for the period</b>		<b>(24 442)</b>	<b>(13 296)</b>

*The accompanying notes form an integral part of these financial statements.*

*Please refer to Note 30 for details on the restated comparative period.*

ITU ANNUAL FINANCIAL OPERATING REPORT AND FINANCIAL STATEMENTS 2022

**Statement III: Statement of Changes in Net Assets**

For the year ended 31 December 2022

(In thousands of CHF)

Description	ITU Reserve Account	Other reserves & funds	Extra-budgetary Reserves	ASHI actuarial gains/(losses) through Net Assets	Accumulated surplus / (deficit)	Net assets Total
01 January 2021	25 802	61 225	10 383	(263 101)	(334 880)	(500 571)
Restatement	3 542	(1 829)	8 008	(4 473)	(4 751)	497
<b>01 January 2021 (restated)</b>	<b>29 344</b>	<b>59 396</b>	<b>18 391</b>	<b>(267 574)</b>	<b>(339 631)</b>	<b>(500 074)</b>
Surplus/(deficit) for the year 2021 (restated)	44	8 667	(1 770)		(20 238)	(13 297)
Other Adjustments				103 499	(912)	102 587
Reclassifications		-			-	-
<b>31 December 2021 (restated)</b>	<b>29 388</b>	<b>68 063</b>	<b>16 621</b>	<b>(164 075)</b>	<b>(360 781)</b>	<b>(410 784)</b>
Surplus/(deficit) for the year 2022		(4 440)	(2 886)		(17 117)	(24 443)
FIPOI adjustment					6 176	6 176
Other Adjustments				215 510	485	215 995
Reclassifications	(1 000)	699	301			
<b>31 December 2022</b>	<b>28 388</b>	<b>64 322</b>	<b>14 036</b>	<b>51 435</b>	<b>(371 238)</b>	<b>(213 057)</b>

*The accompanying notes form an integral part of these financial statements.*

*For further information, see note 4 and note 30 for the restated comparative period.*

## ITU ANNUAL FINANCIAL OPERATING REPORT AND FINANCIAL STATEMENTS 2022

**Statement IV: Statement of Cash Flows**

For the year ended 31 December 2022

(In thousands of CHF)

Description	Notes	31 December 2022	31 December 2021 (restated)
<b>Cash flow from operating activities</b>			
Total Surplus (deficit) for the period	Statement II	(24,442)	(13,296)
Depreciation	12	9,495	9,693
ASHI provision	18	13,976	17,265
(Increase) / decrease in receivables	9	7,360	(2,122)
(Increase) / decrease in other receivables		884	1,788
(Increase) / decrease in inventories		160	(8)
Increase / (decrease) in payables	15	3,086	1,769
Increase / (decrease) in contributions received in advance - current		(2,749)	9,777
Increase / (decrease) in deferred revenue - current	16	394	554
Increase / (decrease) in employee benefit - current	18	(179)	414
Increase / (decrease) in provision - current	19	87	267
Increase / (decrease) in other debts -current	9	(2,732)	(37)
Increase / (decrease) in employee benefit - non-current	18	77	(296)
Increase / (decrease) in third-party funds - non-current	20	(8,657)	7,241
Provision for doubtful receivable		(5,662)	(1,491)
Interest received/paid		(1,523)	(241)
Unrealized exchange-rate gains/losses		333	(324)
<b>Cash flow from operating activities</b>		<b>(10,091)</b>	<b>30,952</b>
<b>Net cash flows from investing activities</b>			
Interest received from short-term investments	22	1,523	241
Disposal of Investments	8	7,415	37,978
(Increase) / decrease in property, plant and equipment	12	(283)	(993)
(Increase) / decrease in intangible assets	13	(3,286)	(461)
(Increase) / decrease in Assets under construction	14	(6,347)	(5,509)
<b>Net cash flows from investing activities</b>		<b>(978)</b>	<b>31,256</b>
<b>Cash flows from financing activities</b>			
Increase / (decrease) in long term borrowings - non-current	17	1,126	6,272
<b>Net cash flows from financing activities</b>		<b>1,126</b>	<b>6,272</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>		<b>(9,943)</b>	<b>68,480</b>
<b>Cash and cash equivalents at opening of period</b>	7	<b>203,811</b>	<b>135,330</b>
<b>Cash and cash equivalents at closure of period</b>	7	<b>193,868</b>	<b>203,811</b>

The accompanying notes form an integral part of these financial statements.



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**Statement V: Statement of comparison – Budget and actual amounts**

For the year ended 31 December 2022

(In thousands of CHF)

	Budgeted amounts			Final budget - 2022	Actual amounts on a comparable basis	Difference - final budget and actual amounts
	Initial Budget - 2022	Deffered activity - 2022	Budget transfers - 2022			
<b>Revenue</b>						
Assessed contributions	125 710			125 710	127 613	1 903
Cost recovery	33 500			33 500	26 148	(7 352)
Interests	300			300	1 319	1 019
Other revenue	200			200	866	666
Deferred activities (appropriations from previous years)	1 469	1 640		3 109	2 490	(619)
Payment into to ICT and Building Funds	(1 250)			(1 250)	(1 250)	-
Saving from budget implementation	2 032			2 032	-	(2 032)
<b>Total revenue</b>	<b>161 961</b>	<b>1 640</b>		<b>163 601</b>	<b>157 186</b>	<b>(6 415)</b>
<b>Expenses</b>						
General Secretariat	91 816	584		92 400	91 299	1 101
Radiocommunication Sector	28 883			28 883	28 658	225
Telecommunication Standardization Sector	13 894			13 894	13 184	710
Telecommunication Development Sector	27 368	1 056		28 424	28 892	(468)
<b>Total expenses</b>	<b>161 961</b>	<b>1 640</b>	<b>-</b>	<b>163 601</b>	<b>162 033</b>	<b>1 568</b>
<b>Programme Budget (deficit)</b>					<b>(4 847)</b>	
Basis differences					(15 596)	
Entity differences					(3 999)	
<b>Total IPSAS Differences</b>					<b>(19 595)</b>	
<b>Surplus/Deficit as shown in the statement of financial performance</b>					<b>(24 442)</b>	

The accompanying notes form an integral part of these financial statements.

For further information, see Note 25.

## Notes to the financial statements

### Note 1 Objectives of the Union

The International Telecommunication Union (ITU) is the [United Nations](#) specialized agency for information and communication technologies (ICTs). As a global focal point bringing together governments and private sector, ITU assists the world in communicating through its three key Sectors: [Radiocommunication](#), [Telecommunication Standardization](#) and [Telecommunication Development](#). ITU fully recognizes each State's sovereign right to regulate its telecommunications.

ITU, was the entity with prime responsibility for organizing the [World Summit on the Information Society](#).

With its headquarters at Place des Nations, 1211 Geneva 20, Switzerland, ITU has 193 [Member States](#) and over 1200 [Sector Members](#), [Associates](#) and [Academia](#). It has four regional offices, eight area offices, a United Nations liaison office in New York and a coordination unit at headquarters for Europe.

The purposes of the Union are:

- to maintain and extend international cooperation among all its Member States for the improvement and rational use of telecommunications of all kinds;
- to promote the development of technical facilities and their most efficient operation with a view to improving the efficiency of telecommunication services, increasing their usefulness and making them, so far as possible, generally available to the public;
- to promote the extension of the benefits of the new telecommunication technologies to all the world's inhabitants;
- to promote the use of telecommunication services with the objective of facilitating peaceful relations;
- to harmonize the actions of Member States and promote fruitful and constructive cooperation and partnership between Member States and Sector Members in the attainment of those ends; and
- to promote, at the international level, the adoption of a broader approach to the issues of telecommunications in the global information economy and society, by cooperating with other world and regional intergovernmental organizations and those non-governmental organizations concerned with telecommunications.

To this end, the Union shall in particular:

- effect allocation of bands of the radio-frequency spectrum, the allotment of radio frequencies and the registration of radio-frequency assignments and, for space services, of any associated orbital position in the geostationary-satellite orbit or of any associated characteristics of satellites in other orbits, to avoid harmful interference between radio stations of different countries;
- coordinate efforts to eliminate harmful interference between radio stations of different countries and to improve the use made of the radio-frequency spectrum for radiocommunication services and of the geostationary-satellite and other satellite orbits;
- facilitate the worldwide standardization of telecommunications, with a satisfactory quality of service;
- foster international cooperation and solidarity in the delivery of technical assistance to the developing countries and the creation, development and improvement of telecommunication equipment and networks in developing countries by every means at its disposal, including through its participation in the relevant program of the United Nations and the use of its own resources, as appropriate;
- coordinate efforts to harmonize the development of telecommunication facilities, notably those using space techniques, with a view to full advantage being taken of their possibilities;
- foster collaboration among Member States and Sector Members with a view to the establishment of rates at levels as low as possible consistent with an efficient service and taking into account the

## ITU ANNUAL FINANCIAL OPERATING REPORT AND FINANCIAL STATEMENTS 2022

necessity for maintaining independent financial administration of telecommunications on a sound basis;

- promote the adoption of measures for ensuring the safety of life through the cooperation of telecommunication services;
- undertake studies, make regulations, adopt resolutions, formulate recommendations and opinions, and collect and publish information concerning telecommunication matters;
- promote, with international financial and development organizations, the establishment of preferential and favorable lines of credit to be used for the development of social projects aimed, *inter alia*, at extending telecommunication services to the most isolated areas in countries; and
- promote participation of concerned entities in the activities of the Union and cooperation with regional and other organizations for the fulfillment of the purposes of the Union.

The plenipotentiary conference is ITU's supreme organ. Convened every four years, the conference:

- determines the Union's general policies;
- adopts four-year strategic and financial plans;
- elects the senior management team of the organization, Member States of the [Council](#) and members of the [Radio Regulations Board](#).

The plenipotentiary conference is the key event at which ITU Member States decide on the future role of the organization, thereby determining the organization's ability to influence and affect the development of ICTs worldwide.

Sector Members, regional telecommunication organizations and intergovernmental organizations, as well as the United Nations and its specialized agencies, likewise participate in the conference as observers.

### **Note 2 Basis for preparation and presentation**

The 2022 Financial Statements have been prepared on the accrual basis in accordance with the International Public Sector Accounting Standards (IPSAS) as developed and approved by the International Public Sector Accounting Standards Board (IPSASB). The financial year is from January to December. They have been prepared using the historical cost convention. Investments and loans are recorded at fair value and amortized cost respectively.

The ITU Financial Regulations and Financial Rules stipulate a biennial budgetary period; however, for a full implementation of the IPSAS, the financial statements are presented on an annual basis. The financial statements are presented in Swiss francs, which is the reporting and functional currency of ITU.

ITU has applied and complied with the requirements of the IPSAS standards in force at 1 January 2022, and the accounting principles applied are described in Note 3. Values are rounded to the nearest thousand, also denoted as CHF millions and / or thousands unless otherwise stated.

ITU has prepared the financial statements on the basis it will continue to operate as a going concern, after taking into considerations existing and anticipated effects of uncertainties relevant to the Organization's activities. The ITU continues to have support for its approved budget for 2024 from Member States and is controlling expenditure to ensure the financial situation and cashflows can be managed within the approved budgets and reserves of the Union.

ITU ANNUAL FINANCIAL OPERATING REPORT AND FINANCIAL STATEMENTS 2022

**Key judgments and estimates**

The financial statements include amounts based on judgments, estimates and assumptions by management. Changes in estimates are reflected in the period in which they become known. Significant estimates and assumptions include: actuarial measurement of employee benefits; selection of useful lives and the depreciation/amortization method for property, plant and equipment/intangible assets; impairment of assets; classification of financial instruments; valuation of investment assets; revenue recognition; and contingent assets and liabilities. Following the initial results of the 2022 External Audit, ITU has reviewed and revised certain key accounting policies and their application and sought to enhance the disclosures in the financial statements. Note 30 details the specific changes that have been reflected in these Financial Statements and the associated prior year adjustments.

**Future accounting changes**

As of 31 December 2022, the date of the Statement of Financial Position, the following IPSAS Standards had been issued, but had not taken effect:

Standard	Title	Effective date	Potential Impact in year of adoption
IPSAS 41	Financial instruments	01 January 2023	This standard will replace the existing IPSAS 29 (Financial Instruments) establishes the principles for financial reporting of financial assets and financial liabilities for the assessment of the amounts, timing and uncertainty of an entity's future cash flows. The organization has assessed that the adoption of the standard will have an impact on the financial statements disclosure note, as it will result in changes in terminology and the requirement for expected credit loss (ECL) calculations. ITU is currently quantifying the impact of this standard on its financial accounts.
IPSAS 42	Social benefits	01 January 2023	This standard establishes the principles and requirements on the recognition, measurement and presentation of Social Benefits in the financial statements. It is not expected that this standard will impact the Organization's financial statements.
IPSAS 43	Leases	01 January 2025	Supersedes IPSAS 13 (Leases) and introduces right-of-use model for leases. It sets out the principles for recognition, measurement, presentation and disclosure of leases This new standard has currently no major impact on ITU's financial statements as ITU does not have leases at present. However, considering the development and the scope of this new standard ITU will review carefully its accounting policy and systems to be ready for the entry into force of this standard.
IPSAS 44	Non-current Assets held for Sale and Discontinued Operations	01 January 2025	This new standard specifies the accounting for assets held for sale and presentation and disclosure of discontinued operations. An analysis will be carried out to evaluate the potential impact on the ITU's financial statements.
IPASA 45	Property, plant and equipment	01 January 2025	IPSAS 45 replaces IPSAS 17, Property, Plant, and Equipment by adding current operational value as a measurement basis in the updated current value model for assets within its scope, identifying the

ITU ANNUAL FINANCIAL OPERATING REPORT AND FINANCIAL STATEMENTS 2022

			characteristics of heritage and infrastructure assets, and adding new guidance on how these important types of public sector assets should be recognized and measured. ITU is currently quantifying the impact of this standard on its financial accounts.
IPSAS 46	Measurement	01 January 2025	IPSAS 46 provides new guidance in a single standard addressing how commonly used measurement bases should be applied in practice. It brings in generic guidance on fair value for the first time, and introduces current operational value, a public sector specific current value measurement basis addressing constituents' views that an alternative current value measurement basis to fair value is needed for certain public sector assets. ITU is currently quantifying the impact of this standard on its financial accounts.
IPSAS 47	Revenue	01 January 2026	IPSAS 47, Revenue is a single source for revenue accounting guidance in the public sector, which presents two accounting models based on the existence of a binding arrangement. This new Standard provides focused guidance to help entities apply the principles to account for public sector revenue transactions. ITU is currently quantifying the impact of this standard on its financial accounts.
IPSAS 48	Transfer expenses	01 January 2026	IPSAS 48, Transfer Expenses provides accounting guidance for transfer expenses, which account for a significant portion of expenditures for many public sector entities. This new Standard fills a significant gap in the IPSASB's literature and provides guidance to help entities account for public sector transfer expense transactions. ITU is currently quantifying the impact of this standard on its financial accounts.

ITU continues to assess the impact of the above standards on future financial statements in advance of their effective date.

Furthermore, ITU monitors the development of the EDs and actively engages with the work of the IPSAS Board through the United Nations System Task Force on Accounting Standards, noting that their application may have an impact on ITU's future financial statements.

### Note 3 Significant accounting policies

#### 3.1 Foreign currencies

The Swiss franc (CHF) is ITU's functional currency and the one used in the presentation of the financial statements. Transactions in currencies other than the Swiss franc are converted into Swiss francs at the United Nations operational rate of exchange (UNORE) at the date of the transaction. Monetary assets and commitments denominated in foreign currencies are converted into Swiss Francs at the UNORE rate of exchange in force at the date of closure of the financial period. Exchange-rate losses and gains, realized or unrealized, resulting from the settlement of such transactions and from conversion of the assets and commitments denominated in foreign currencies at the date of closure are recorded in the statement of financial performance.

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### **3.2 Financial instruments**

ITU's financial instruments include cash and short-term deposits, investments receivable from exchange and from non-exchange transactions, trade payable, loans and borrowings.

#### *3.2.1 Cash and cash equivalents*

Cash and cash equivalents comprise cash on hand and cash at bank and deposit accounts.

#### *3.2.2 Investments*

Fixed-term deposits with a term of three to nine months that are highly liquid, convertible into a known cash amount and subject to a negligible risk of change in value are designated as financial assets at fair value through surplus or deficit at initial recognition. Investments are presented in the balance sheet as current or non-current assets according to whether their due date is less than or more than one year.

ITU's funds are invested with the following objectives:

- Preservation of capital. The goal of capital preservation is of paramount importance and is the principal objective of the investment policy;
- Maintenance of sufficient liquidity to meet all payments of liabilities on time; and
- Optimization of income return, commensurate with the above requirements on preservation of capital and liquidity.

The quality, security and liquidity of the investments are always given priority over the rate of return on the investments.

#### *3.2.3 Financial liabilities and FIPOI loan*

Financial liabilities comprise borrowings, other financing, suppliers and trade payables. They are shown on the balance sheet as current or non-current liabilities according to whether they fall due in less than or more than one year respectively.

The amounts shown as borrowings in these financial statements consist of borrowings interest-free made by ITU from FIPOI with respect to funding of the construction of the ITU buildings.

In 2022 ITU implemented a change in the accounting policy with regard to loans. Previously, ITU accounted for loans at their nominal value instead of fair value. The revised accounting policy for concessionary loans, is initially measured at fair value. The outstanding amount of the loans has been discounted using the Swiss Confederation 30-year bonds rate of 1.476% at December 2022 (-0.095% for 2021). This has been revised in 2022 with a subsequent restatement of accounting transactions to reflect the fair value of loans outstanding for ITU. Further details are contained in the notes 17 and 30 (showing the impact of the accounting policy change).

The ITU headquarter Buildings areas situated on land owned by the Canton of Geneva. ITU has surface rights to the land owned by the Canton of Geneva. Under the surface rights agreement (the "droits de superficie") ITU has rights to use the land until 31 December 2079. ITU does not own the land, surface rights were granted at no cost. No value for land has been recognized as the Organization does not have the ability to dispose of these rights in a commercial transaction. The useful life used for calculating depreciation of the ITU headquarter buildings is the lower of the useful life of the relevant components of the ITU Headquarters building or the duration of the underlying surface rights agreement.

#### *3.2.4 Receivables*

ITU's receivables are classified as receivables and loans are non-derivative financial assets with fixed or determinable maturity dates that are not traded on an active market. They originate when ITU enters into a

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contractual arrangement with a third party and remain so until the cash transfers associated with those financial assets have been executed and the associated risks and benefits have likewise been transferred to ITU. Such assets come under current assets, except those having maturity dates beyond 12 months after the date of closure, which are categorized as non-current assets.

Receivables are divided into two distinct categories: receivables from exchange transactions, such as those resulting from the sale of publications or satellite network filing; and non-exchange receivables, notably those relating to assessed contributions made to ITU but also voluntary contributions and sponsorships.

Receivables are recognized at amortized cost. This is adjusted against the provision for doubtful debts when reviewing doubtful debts at the time of the annual closure of the accounts.

ITU assesses at each reporting date whether there is objective evidence that a financial asset is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events, occurring after the initial recognition of the asset, have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in surplus or deficit. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to revenue in surplus or deficit.

### **Determination of the provision for impairment of receivables**

An assessment of the need to establish or adjust a provision for asset impairment is carried out according to the nature of the receivable, on the basis of the following categories of receivable:

#### **1 – Member States**

In accordance with Article 28, No. 169, of the ITU Constitution, a Member State which is in arrears in its payments to the Union shall lose its right to vote as defined in Nos 27 and 28 of the Constitution for so long as the amount of its arrears equals or exceeds the amount of the contribution due for the two preceding years.

On the basis of this rule, a provision is established for Member States having arrears of over two years. Assessment and follow-up are carried out on the basis of the financial notification, which is produced quarterly. The impairment is calculated on the basis of the notification for the final quarter of the year, which is produced at the beginning of the following year.

The amount of the impairments equal to 100 per cent of the debt that has remained unpaid, plus the interest on arrears charged since payment first became overdue for all the Members which debts equals or exceeds the amount of the contribution due for the two preceding years in accordance with Article 28 of the Constitution.

#### **2 – Sector Members, Associates and Academia**

Where Sector Members and Associates are concerned, Resolution 152 (Rev. Busan, 2014) provides, in *resolves* 6, that in the event of late payment, suspension of participation in ITU shall occur six months (180 days) after the date on which payment of the annual contribution was due, and in the absence of a negotiated and agreed repayment schedule, exclusion of a Sector Member or an Associate on grounds of non-payment shall occur three months (90 days) after the date of receipt of the notification of suspension.

All unpaid debts, including interest on arrears, dating back beyond two years are 100 per cent provisioned.

#### **3 – Satellite Network Filings (SNF) revenue**



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The Union establishes a provision for SNF invoices, arrears being subject to interest at 6 per cent as from the due date in the case of late payment. Since such invoices are payable within six months, a 100 per cent provision will be established at 31 December of the year following their presentation.

### 4 – Publications

Publications are for the most part paid for in advance, except when the client is a Member State administration. This provision is established following exactly the same principle as for Member State and Sector Member contributions.

### **3.3 Inventories**

Inventories comprise publications and souvenirs bearing the ITU logo, consumable stores, maintenance materials and stocks of spare parts not allocated to the maintenance of specific assets.

For consumables, inventories values are calculated using the weighted average cost method. The same method is used for all inventories whose nature and usage are similar within the organization.

Publications are valued according to a standard cost based on a scale that is updated annually. The standard cost does not include direct staff costs; however, the cost of paper has increased by 253 per cent, representing the direct costs associated with reprography. The net realizable value represents the estimated sale price less the estimated costs of producing, marketing, selling, and distributing the publications.

Where stocks of publications are distributed at zero or a symbolic cost, they are valued at the lower of costs or net realizable value.

An annual physical stocktaking is made of all inventories. At each closure date, if there is any indication that inventories may have fallen in value, they are impaired. Publications are valued in two stages: first, on the basis of any damage identified during the annual physical stocktaking, then with regard to the obsolescence of publications. The organization also determines whether an impairment loss previously recognized has diminished or is extinguished. If so, the net realizable value or replacement cost of the inventories is estimated and updated.

Publications and articles no longer to be offered for sale or intended for free-of-charge distribution will have their net carrying amount reduced to zero.

### **3.4 Property and equipment**

Property and equipment held by ITU are valued at historical cost less accumulated depreciation and accumulated impairment losses.

#### *Additions*

The cost of an item of PP&E is recognized as an asset if it is probable that future economic benefits or service potential associated with the item will flow to ITU and the cost of the item can be measured reliably. When an asset is donated, its initial cost is measured as the fair value of the asset as at the date of acquisition.

#### *Disposals*

Gains and losses on disposal are determined by comparing the proceeds with the carrying amount of the asset and are included in the Statement of Financial Performance.

#### *Subsequent costs*

Costs incurred subsequent to initial acquisition are capitalized only when it is probable that future economic benefits or service potential associated with the item will flow to ITU and the cost of the item can be measured reliably.



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Goods with a value equal to or higher than CHF 5'000 are capitalized at the time of receipt and subsequently depreciated on a straight-line basis.

Where a fixed asset comprises, several significant components having different useful lives, each component is recognized separately. Depreciation is calculated on a straight-line basis according to the estimated useful life of each item, with a final residual period, if applicable. The residual values and useful lives of assets, as well as the depreciation methods, are reviewed, and adjusted, if necessary, at each annual closure.

Property and equipment acquired in connection with projects conducted under Extra-budgetary activities (in particular projects of the United Nations Development Programme, nationally executed projects and voluntary contributions) are fully recognized as expenses in the statement of financial performance at the monthly closure following acquisition as they are not controlled by ITU.

The table below illustrates effective useful life for assets.

Categories and subcategories of assets	Estimated useful life (in years)
<b>Buildings</b>	
- Structure	60
- Envelope (flat roof, insulation, sealing...)	40
- Envelope (metal façades, aluminium window-frames..)	40
- Interior finishing (raised flooring, partitions...)	25
- Interior finishing (floor, wall and ceiling coverings...)	25
- Special equipment	25
- Technical installations (electricity)	50
- Technical installations (plumbing)	40
- Technical installations (heating, ventilation)	30
- Transport facilities	40
- Other building assets	
<b>Machinery and equipment</b>	5
<b>Furniture and fixtures</b>	5
<b>Vehicles</b>	5
<b>Computer hardware</b>	3
<b>Licences and software packages</b>	3

At each annual closure date, ITU assesses whether there is any indication that an asset may be impaired. If any such indication exists, the recoverable amount of the asset is estimated, and an impairment loss is recorded in the statement of financial performance when the carrying amount exceeds the recoverable amount. There was no indication of impairment during 2022.

### 3.5 Intangible assets

Intangible assets, IT licenses and software, with a value higher than CHF 50'000, are recognized on the basis of their historical cost less any accumulated amortization and impairment losses, Licenses, software packages, patents and rights are amortized on a straight-line basis over a period of three years. Intangible assets are capitalized in the financial statements if it is probable that expected future economic benefit or service potential will flow to ITU and the amount can be measured reliably.

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All costs equal to or lower than CHF 50'000 are capitalized at the time of receipt of the goods and fully recognized as expenses in the statement of financial performance at the monthly closure following acquisition.

Software developed in-house is capitalized if it is probable that ITU will benefit from future economic benefits or service potential attributed to them. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Union are recognized as intangible assets when the following criteria are met at the closing date:

- it is technically feasible to complete the software product so that it will be available for use;
- management intends to complete the software product and use or sell it;
- there is an ability to use or sell the software product;
- it can be demonstrated how the software product will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and the expenditure attributable to the software product during its development can be reliably measured.

Directly attributable costs that are capitalized as part of the software product include the software development employee costs and an appropriate portion of relevant overheads.

Other development expenditures that do not meet these criteria are recognized as an expense as incurred. Development costs previously recognized as an expense are not recognized as an asset in a subsequent period.

Computer software development costs recognized as assets are amortized over their estimated useful lives, which do not exceed three years.

Costs associated with maintaining computer software programs are recognized as an expense as incurred.

### **3.6 Provisions**

Provisions cover obligations for which the outcome, due date or payable amount is uncertain. They are recognized when ITU has a legal or constructive obligation resulting from a past event, when it is probable that an outflow of resources will be required to settle the obligation and when the amount of the obligation can be reliably estimated.

### **3.7 Contingent assets and liabilities**

Contingent assets and liabilities are possible rights or obligations arising from past events and whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within ITU's control.

Contingent liabilities are disclosed where a possible obligation is uncertain but can be measured, or where ITU has a present obligation but cannot reliably measure the possible outflow of resources. At 31 December 2022, ITU does not have any known contingent liabilities.

### **3.8 Employee benefits**

The following employee benefits are recognized:

- Short-term employee benefits are expected to be settled within 12 months of the reporting date and are measured at their nominal values based on accrued entitlements at current rates of pay. Short-term employee benefits comprise first-time employment benefits (assignment grants), regular monthly benefits (wages, salaries, allowances) and other benefits (education grant, home leave, etc.). An expense is recognized when employees render service to ITU and a liability is recognized for an entitlement that has not been settled at the reporting date.

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- Long-term benefits resulting from the possible deferral of benefits acquired during the prior period or periods;
- Long-term post-employment benefits.

Long-term benefits cover:

- Other long-term employee benefits are benefits which are expected to be settled more than 12 months after the end of the reporting period and relates to repatriation grants, and accumulated leave. The liability recognized for repatriation grants is the present value of the defined benefit obligations at the reporting date. This liability is calculated by an independent actuary using the Projected Unit Credit Method. Interest cost, current service costs and actuarial gains or losses arising from changes in actuarial assumptions or experience adjustments are recognized in the statement of financial performance.
- Obligations concerning the After-Service Health Insurance (ASHI); and
- Obligations relating to the former pension plan to define ITU's obligations at the date of closure of the period.

ITU is a member organization participating in the United Nations Joint Staff Pension Fund (UNJSPF), which was established by the United Nations General Assembly to provide retirement, death, disability, and related benefits to employees. The Fund is a funded, multi-employer defined benefit plan. As specified by Article 3(b) of the Regulations of the Fund, membership in the Fund shall be open to the specialized agencies and to any other international, intergovernmental organization which participates in the common system of salaries, allowances, and other conditions of service of the United Nations and the specialized agencies.

The plan exposes participating organizations to actuarial risks associated with the current and former employees of other organizations participating in the Fund, with the result that there is no consistent and reliable basis for allocating the obligation, plan assets and costs to individual organizations participating in the plan. ITU and the UNJSPF, in line with the other participating organizations in the Fund, are not able to identify the ITU's proportionate share of the defined benefit obligation, the plan assets and the costs associated with the plan with sufficient reliability for accounting purposes. Hence, ITU has treated this plan as if it were a defined contribution plan in line with the requirements of IPSAS 39 Employee Benefits. ITU's contributions to the plan during the financial period are recognized as expenses in the Statement of Financial Performance.

As of 1 January 2020, the ITU joined the United Nations Staff Mutual Insurance Society (UNSMIS). ASHI obligations are the subject of an actuarial study pursuant to IPSAS 39 in order to identify and recognize the amount of ITU's future liability in relation to the corresponding benefits.

ITU's ASHI obligations provides the right to benefit from ASHI coverage which is acquired and accumulated during the retirees' active service in the Organization. The liability recognized for this plan is the present value of the defined benefit obligations at the reporting date. The liability is calculated by an independent actuary using the Projected Unit Credit Method. Interest cost and current service costs are recognized on the statement of financial performance as a component of staff costs. Actuarial gains or losses arising from changes in actuarial assumptions or experience adjustments are directly recognized in net assets.

The assumptions concerning ITU are described in the Notes relating to employee benefits.

### **3.9 Recognition of revenue**

#### **Non-exchange revenue**

In accordance with IPSAS requirements, revenue from assessed contributions, voluntary contributions and

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sponsorships received or confirmed through a binding agreement are recognized as non-exchange transaction as per IPSAS 23: Revenue from Non-exchange Transactions.

### - Assessed contribution:

This refers mainly to contributions from Member States, Sector Members and Associates. The plenipotentiary conference establishes the upper limit of the contributory unit to serve as the basis for calculating the Union's revenue for the biennial budgets for the next four years. Member States and Sector Members are free to choose their class of contribution for defraying Union expenses in accordance with the relevant provisions of the ITU Constitution, and pay, in respect of the year of their accession or admission, a contribution calculated as from the first day of the month of accession or admission. This revenue is used for the purpose of implementing the Union's activities as defined by the plenipotentiary conference.

The assessed contributions are recognized as revenue on an annual basis, on the first day of the year to which they relate.

### - Voluntary contributions and sponsorship:

Voluntary contributions and sponsorships are initially recognized as revenue at the time the agreement between ITU and the donor becomes binding and when control over the underlying asset is obtained unless the agreement includes restrictions as per definitions under IPSAS 23.

Agreements containing such conditions require initial recognition of a liability and deferral of revenue recognition until such time as the liability is discharged through performance of the specific conditions included in the agreement and an enforceable return obligation to return the amounts if they are not used in the specified manner. The amount recognized as a liability is the best estimate of the amount that would be required to settle the obligation at the reporting date.

In the situation where agreements are signed, no contributions are received and the agreement relates to future financial periods then it is recognized as deferred revenue.

## **Exchange revenue**

The following revenue meet the definition of exchange transactions under IPSAS 9 – Revenue from Exchange Transactions are accounted in accordance with this standard.

ITU 's revenue from exchange transactions is measured at the fair value of the consideration received or receivable and are recognized as goods and services are delivered.

Exchange revenue comprise the products and services for which ITU applies the principle of cost recovery, namely:

- publication sales: Revenue from sales of publications is recognized at the time when the publications are dispatched, and revenue from sales of services involving access to ITU statistics and data in electronic form is recognized at the time when the data become accessible;
- processing of satellite network filings: revenue from Satellite network filings is recognized at the time when the final publications of the filing have been done in the BR International Frequency Information Circular (IFIC); when a publication in the IFIC is not effective in the year of the initial invoicing the service is considered as non-finalized and the revenue will therefore be deferred up to the final publication in the IFIC;

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- registration of universal international freephone numbers (UIFN: ITU receives contributions upfront for providing services for the registration of universal international freephone numbers (UIFN) and the registration of universal international premium-rate numbers (UIPRN) and universal international shared-cost numbers (UISCN);

### **3.10 Reserve Account**

In accordance with No. 485 of the Convention and Article 27 of the Financial Regulations, the Reserve Account is maintained mainly from unused appropriations. Variations in the Reserve Account are detailed in the statement of changes in the net assets of the Union. It is made up of:

- a) the positive or negative net balance from the regular budget implementation for each financial year;
- b) transfers from other reserves/funds as decided by the Council;
- c) any amounts to be credited to the Reserve Account as prescribed by the accounting standards common to the organizations of the United Nations system.

Notwithstanding the provisions of Article 13, § 4 b) of the Financial Regulations, bearing in mind the need to maintain the Reserve Account at a minimum level determined by the plenipotentiary conference, withdrawals may be made from the Reserve Account by special decision of the Council, *inter alia*, for:

- a) reducing the amount of the contributory unit;
- b) balancing the budget of the Union;
- c) transfers to other reserves/funds; or
- d) any amounts to be debited to the Reserve Account as prescribed by the accounting standards common to the organizations of the United Nations system.

### **3.11 Other Reserves**

Other reserves include:

- The savings from previous year;
- The investment fund which comprises the building maintenance fund and the ICT fund;
- The New building fund;

Council 2016, through Decision 588, decided to replace the Varembe building by a new construction (herein called “new building”) that would also include the offices and facilities of the Tower building, and complement the Montbrillant building which would be retained and refurbished. An interest-free loan of up to CHF 150 million to finance this project has been granted by the Swiss Confederation.

- The New building reserve;

this reserve was created to complement the budget financed through the loan granted by the Host country. This additional budget represents CHF 20.14 million coming from sponsors, donations and from savings allocated further to the 2018 surplus. Virtual Consultation of Councillors (VCC) 2021 revised *decide 4* of Decision 619 in order to allow for future sponsorships or donations under predefined conditions.

- The risk register fund;

The risk register fund was created for unforeseen cost overruns. At 31 December 2022, the risk register fund amounted to CHF 3.43 million.

- The welfare fund;
- The centenary fund;
- The ITU Staff Superannuation and Benevolent Funds comprise the provident and assistant funds;

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They 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 UNJSPF. In 2022, the Reserve and Complement Fund paid out 13 retirement pensions and 12 survivor's pensions; and the Assistance Fund served to assist staff members and pensioners in difficult financial situations. The most recent calculation of the obligations to be provisioned for beneficiaries of the ITU Staff Superannuation and Benevolent Funds was made on 31 December 2011.

Pursuant to Resolution 7 (Geneva, 1959), the staff of ITU is affiliated, as from 1 January 1960, to the UNJSPF. Under Article 86 of the Regulations of the ITU Staff Superannuation and Benevolent Funds, those Funds are managed by the Union. The assets of the Funds must be invested in trustee securities.

Other funds also include since 2013, a fund dedicated to the long-term funding of the ASHI unfunded liability as well as the new health insurance fund, which constitutes the guarantee fund for the ITU new health Insurance scheme since 2014.

### **3.12 Extrabudgetary Reserves**

- Extrabudgetary allocated reserves;

The Union has set up a reserve to receive any balances from internal ongoing projects. The movements on that reserve represent the expenses related to the implementation of projects and also the allocation of internal funds coming from the regular budget or the ICTDF fund.

- Extrabudgetary unallocated reserves;

The Union has set up a reserve to receive any remaining balances from internal closed projects. This reserve will be used to finance new projects or regional initiatives, as well as to cover certain projects in deficit. This reserve mainly concerns the ICT Development fund.

### **ICT Development Fund**

In line with ITU's mission of fostering the expansion of modern communication services worldwide, the Council assigns a share of the surplus revenue derived from ITU TELECOM events to the ICT Development Fund (ICTDF), which serves to finance various national and regional development projects. In the case of project financing through the ICTDF, only the expenses are recognized in the statement of financial performance. This same principle applies for projects financed under the development action plan, the funds available for these programs having already been recognized as revenue in prior financial periods.

The ICTDF also registers contributions paid by members or third parties for the financing of ICT development projects.

ITU exhibition working capital fund: During the plenipotentiary conference held in Bucharest in 2022, Resolution 11 was abrogated, and it was decided that the remaining balance of the Exhibition Working Capital Fund (EWCF) would be transferred to the ICT Development Fund, after full completion of all the obligations towards TELECOM staff.

### **3.13 Extrabudgetary funds**

In addition to the reserves disclosed above, the ITU has donor balances related to the extra budgetary activities:

- *Allocated third-party funds;*

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This refers to funding provided by third parties to support the Union in implementing projects in and for developing and least developed countries. Such contributions are tied to contractual conditions. Funding of this kind is recognized as revenue only where the donors have made a commitment in writing and as the expenses are incurred. Funded projects begin only once the funds have been paid to ITU. At the closure of the financial period, the unused balance of such funding is recognized in the balance of allocated funds in the statement of financial position. In some specific cases, the funds are paid to ITU as a reimbursement of expenses already incurred.

Allocated third-party funds are distributed as follows:

### *i. Trust funds*

Trust funds are used to execute projects financed by earmarked contributions, by the ICT Development Fund (ICTDF) or by governments. In all cases the funds have to be credited to the projects before the expenses are committed. Trust funds are voluntary contributions with specific and restrictive utilization. These contributions generate support costs during the execution and implementation of the projects.

### *ii. Voluntary contributions*

Voluntary contributions are received from donors to complement specific regular budget activities such as for example seminars, working groups, study groups, training and fellowships. Voluntary contributions can finance long-term activities. Voluntary contributions do not generate any support costs.

The ITU maintains accounts for voluntary contributions in the currency of the contribution and manages the projects based on the budget allocated in the currency of the funding, unless otherwise specified.

### *- Third-party funds in the process of allocation;*

These are funds received from third parties (including members, sector members and Associates, foundations, United Nations and other contributors) and not yet fully allocated, which therefore cannot yet be spent.

## **3.14 Segment reporting**

Segment reporting is based on ITU's main activities and sources of financing and is consistent with the constitutional structures of the organization and other funds established to manage the financial resources organization. The segments reflect the ITU's work program for 2021-2022:

- General Secretariat;
- Radiocommunication Sector (ITU-R): Management of international resources, namely the radio-frequency spectrum and satellite orbits;
- Telecommunication Standardization Sector (ITU-T): Shaping harmonized working methods and establishment of flexible collaboration mechanisms to meet market needs;
- Telecommunication Development Sector (ITU-D): Provision, under affordable conditions, of equitable and sustainable access to ICTs;
- New Building fund which represents the project on the construction of the new headquarters premises;
- Old pension fund which regroups the provident fund and the assistance fund;



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- Extrabudgetary funds which comprises UNDP funds, trust funds, ICT Development Fund and voluntary contributions and ITU TELECOM.

On account of the nature of ITU's activities, Member State contributions, tangible and intangible fixed assets are used jointly by all its Sectors and are not managed by the individual Sectors.

Inter-segment transfers include revenue and expense arising from transfers between segments. Such transfers are accounted for at cost for each segment and eliminated on consolidation.

In 2022 a change in the presentation of the segment reporting has been introduced to more fully allocate revenues and costs to segments and consolidate the presentation of extra-budgetary activities. The 2021 segment reporting has been restated for comparability purposes.

For the purpose of the segment reporting, an allocation of these revenue and expenses to the four sectors (including the General Secretariat) of ITU has been made based on the budget figures. The ASHI annual Adjustment, has been allocated based on the headcount of each sector.

The Union's assets and liabilities, other than those representing its net assets, fall under the ownership or responsibility of the organization as a whole and do not constitute assets and liabilities of its component parts. Extra budgetary funds do not have any fixed assets. Assets and liabilities represent a wide range of activities that are common to the constituent parts of the Union. Any allocation of assets and liabilities to the different Sectors would inevitably be arbitrary and incoherent. It would thus run counter to the principles of IPSAS 18. It is for this reason that individual assets and liabilities are not segmented.

### **3.15 Budget comparison**

The budget of the Union for 2022-2023 is based on Decision 5 (Rev. Dubai, 2018) entitled "Income and expenditure for the Union for the period 2020-2023" and the strategic plan for the Union for 2020-2023 set out in Resolution 71 (Rev. Dubai, 2018).

Furthermore, the program budget is coordinated with the operational plans of the Sectors and the General Secretariat.

Pursuant to IPSAS 24, the annual financial statements must include a comparison between budgeted amounts and actual amounts. The draft budget of the Union for 2022-2023 is composed of two annual budgets. A budget estimate has been made for each of the financial years.

The final budget for 2022 was approved by the Council at its 2021 session by Resolution 1405 (C21/97). Statement V contains a comparison of the final budget and actual amounts. Since the budget and the financial statements were not drawn up on the same basis, Statement V contains a reconciliation of the amounts in the budget and the amounts in Statement II (Statement of financial performance). The entity differences reflect the incorporation of extra budgetary funds in the Union's financial statements.

### **Note 4 Management of net assets**

The Union's net assets consist of:

- ITU reserve account;
- Other reserves and funds;
- Extrabudgetary reserves;
- ASHI actuarial gains / (losses) through net assets and
- Accumulated surplus / (deficit).



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The movements on ITU reserve account is noted in the table below.

Description (CHF '000)	Surplus / (deficit / adjustments) - 31 December 2021	Surplus / (deficit / adjustments) - 31 December 2022
<b>Opening balance - 01 January 2021 and 2022 (restated)</b>	29,344	29,388
Allocation of surplus from Budget 2021	44	
Transfer to ASHI fund		(1,000)
<b>Closing balance - 31 December 2021 (restated) and 2022</b>	<b>29,388</b>	<b>28,388</b>

At 31 December 2022, the assets of the Reserve Account stood at CHF 28.4 million (2021: CHF 29.4 million). The assets of the Reserve Account represent 15.5 per cent of the 2022 budget, which is significantly above the six per cent threshold stipulated in Decision 5 (Rev. Dubai, 2022).

The movement in the ITU other reserves and funds are shown in the table below.

Description (CHF '000)	01 January 2021 (restated)	Surplus / (deficit) - 2021	Other adjustments - 2021	31 December 2021	Surplus / (deficit) - 2022	Other adjustments - 2022	31 December 2022
<b>Other reserves</b>							
<b>Savings from previous year</b>	<b>5 023</b>	<b>2 349</b>	-	<b>7 372</b>	<b>(3 847)</b>	<b>(301)</b>	<b>3 224</b>
<i>Decision 619 (expenses 2022)</i>	890	1 243	-	2 133	(643)		1 490
<i>Forensic Audit (expenses 2022)</i>	1 090	-	-	1 090	(1 090)		-
<i>Deficit Financed from Resolution 1405 (Bucharest)</i>		3 766	-	3 766	(2 032)		1 734
<i>Deficit financed by Council decision</i>		-	-	-			
<i>UMACs as per Council Decision</i>	-	301	-	301		(301)	-
<i>RES 1396 BDT</i>	1 044	(1 044)	-	-			-
<i>2017 Init. Reg</i>	1 001	(1 001)	-	-			-
<i>RES 1396</i>	871	(871)	-	-			-
<i>DEC 616 PWC</i>	82	-	-	82	(82)		-
<i>REVAL - adjustment</i>	45	(45)	-	-			-
Investment fund	14 817	982		15 799	(950)		14 849
New Building Reserve	14 847	5 322		20 169	259		20 427
Risk Register fund	3 430			3 430			3 430
Welfare fund	348			348			348
Centenary fund	212			212			212
SS&B Complement fund	6 174	11		6 185	99		6 284
SS&B Assistance fund	277	(1)		276	-		276
ASHI fund	13 000			13 000		1 000	14 000
Health Insurance fund	1 268	5		1 272			1 272
<b>Total net assets</b>	<b>59 396</b>	<b>8 668</b>	<b>-</b>	<b>68 063</b>	<b>(4 440)</b>	<b>699</b>	<b>64 322</b>

The balance of the ICT Development Fund which is reported under investment fund line noted in the table above is CHF 2.6 million at 31 December 2022 (CHF 2.9 million at 31 December 2021).

The movement in the ITU extrabudgetary reserves are shown in the table below.

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Description (CHF '000)	01 January 2021 (restated)	Surplus / (deficit) - 2021	31 December 2021	Surplus / (deficit) - 2022	Other adjustments - 2022	31 December 2022
<b>Extra-budgetary Reserves</b>						
Extra budgetary allocated reserves	8 008	95	8 103	(1 825)	301	6 579
ITU Exhibition working capital fund	6 616	(2 329)	4 287	(510)		3 777
Extra budgetary unallocated reserves	3 767	464	4 231	(552)		3 680
<b>Total net assets</b>	<b>18 391</b>	<b>(1 770)</b>	<b>16 621</b>	<b>(2 886)</b>	<b>301</b>	<b>14 036</b>

## Note 5 Financial risk management

In the course of its work, ITU is exposed to a number of financial risks including credit risk, market risk (Foreign exchange currency risk), interest rate risk and liquidity risk. This Note presents information on ITU exposure to each of the above risks and outlines the principles adopted by ITU to manage financial risks and preserve its capital. The management of financial risks is centralized under the responsibility of the Secretary-General.

### Fair value

Except for borrowings, there is no difference between the fair value and the carrying value of ITU's financial instruments.

The fair value of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation.

The following methods and assumptions were used to estimate the fair value:

- Cash and cash equivalents, short-term deposits, receivables from exchange transactions, other receivables, payables from exchange transactions, and other payables approximate their carrying amounts largely due to the short-term maturities of these investments;
- Short- and long-term receivables are valued as disclosed in Note 9;

### Fair value hierarchy

ITU uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: Quoted prices in active markets for identical assets and liabilities;

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly;

Level 3: Techniques, which use inputs that have a significant effect on the recorded fair value, that are not based on observable market data.

At 31 December 2022, the fair values of all investments (bank deposits and short-term bank investments) approximate their recorded carrying amount due to their short-term nature.

The fair value of supplier payables, and other current liabilities and voluntary contributions approximate their recorded carrying amount due to their short-term nature.

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The borrowings (loans) are recorded in the accounts at the based on amortized costs. This is an update to the accounting policies of the past and further details are available under note 17. All the ITU's financial instruments are measured at Level 1of the fair value hierarchy.

a) *Credit risk*

Credit risk is the risk of financial loss to ITU if customers or counterparties to financial instruments fail to meet their contractual obligations, and arises principally from investments, receivables and cash and cash equivalents. The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk as at 31 December was:

Description (CHF '000)	31 December 2022	31 December 2021 (restated)	01 January 2021 (restated)
Investments	13,860	21,275	59,253
Receivables	17,794	19,491	15,877
Cash and cash equivalents	193,868	203,811	135,330
Payables	10,541	7,456	5,687
Borrowing outstanding	48,332	53,382	47,110
<b>Maximum exposure to credit risk</b>	<b>284,396</b>	<b>305,415</b>	<b>263,257</b>

b) *Credit quality*

Credit quality is the assessed risk of default attached to counterparties to which ITU extend credit as well as those parties with whom ITU invests. ITU has current reviews is levels of accounts receivable from Assessed contributions and other sources. There is concern over the ageing of these amounts and as a result CHF 2.9 million was written off in 2023. Further working to ensure that ITU collects its receivable in a timely manner going forward.

Measures such as the sending of quarterly statements and suspension of participation in the work of ITU have been introduced to help ensuring that Member States, Sector Members and Associates settle their arrears. Furthermore, the loss of voting right has been introduced for Member States to encourage a timely settling of their arrears.

ITU mitigates credit risks on cash and cash equivalents and on investments by spreading them among several banking institutions with high-grade credit ratings. According to Article 16 of the Financial Regulations and Financial Rules, the Secretary-General chooses the banks or other institutions in which the Union's funds are to be deposited. In this respect, the Secretary-General shall ensure that funds are invested in such a way as to place primary emphasis on minimizing the risk to principal funds while ensuring the liquidity necessary to meet the Union's cash-flow requirements. ITU does not make deposits with banks with a credit rating below A3.

In addition to these criteria, investments shall be selected on the basis of achieving the highest reasonable rate of return and shall accord with the principles of the United Nations.

The Secretary-General designates the banks in which the funds of the Union shall be kept, shall establish all bank accounts required for the Union and shall designate those officials to whom signing authority is delegated for the operation of those accounts. The Secretary-General also authorizes all bank account closures.

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c) *Interest rate risk*

ITU is exposed to interest rate risks through its short-term investments. The negative interest introduced in 2015 have been suspended in September 2022.

In 2022 we can also notice an increase of the interest rate for short term deposit in USD. This increase combined with the use of new deposit product allowed ITU to generate CHF 1.5 million of interest (CHF 241,000 in 2021).

The cash/Cash equivalent and investment (short term deposit) of ITU remains safe, as it holds high-quality assets aimed at preserving principal.

d) *Liquidity risk*

Liquidity risk is the risk of ITU not being able to meet its obligations as they fall due. ITU approach to managing liquidity risk is to ensure that sufficient liquidity is available to meet its liabilities when due. ITU ensures that it has sufficient cash on demand to meet expected operating expenses through the use of cash flow forecasts.

The primary objective of managing ITU's capital is to ensure that there is sufficient cash available to support ITU's funding requirements, including capital expenditure, to ensure that ITU remains financially sound.

e) *Currency risk*

ITU receives Member States and regular budget contributions in Swiss francs and Extra-budgetary contributions in other currencies than the Swiss francs. ITU does not have recourse to fixed-term exchange contracts, futures, swaps or currency options to hedge realized or unrealized foreign exchanges gains or losses. When possible, natural hedging is applied by assigning the necessary currencies directly to the appropriate bank accounts.

It is to be noted that the new Health Insurance scheme is managed in Swiss francs, which is significantly reducing exposure to exchange rates fluctuations. The Union is still exposed to foreign exchange gains or losses arising from the payment of contributions to the UNJSPF in US dollars. However, since the Professional staff contributions are defined in US dollars and the General Staff contributions are defined in Swiss francs and the number of staff in these two categories is equally distributed, the exchange rates fluctuations tend to counterbalance.

Extra-budgetary contributions are managed in the currency of the contribution and converted in Swiss francs for presentation purposes. The table below captures the major amounts held in foreign currencies, with our banks in Euro and US dollars.

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Effect of exchange rate fluctuations between the Swiss Franc on other currencies				
(Amounts in thousands)				
Currency	Balance in foreign currency at 31.12.2022	CHF equivalent of balance at 31 December 2022	Effect in CHF of increase / decrease in the value of foreign currency	
			of +/- 5%	of +/- 10%
EUR	13 617	13 414	671	1 341
USD	56 270	51 994	2 600	5 199
Other currencies		137	7	14
<b>Total</b>		<b>65 545</b>	<b>3 277</b>	<b>6 554</b>

f) *Market risk*

Market risk is the risk of changes in market prices, such as foreign-exchange rates and interest rates, affecting ITU's income or the value of its financial instruments holdings. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on the risk.

All the financial instruments held by ITU have quoted prices in active markets which are classified as Level 1.

The maturity profiles on financial instruments as at 31 December 2022 are as follows:

In thousands of CHF	Weighted average interest rate	1 year or less	>1 year	Total
<b>Financial assets</b>				
Investments		13 860		13 860
Cash and cash equivalent		193 868		193 868
Receivables		17 794		17 794
<b>Total financial assets</b>		<b>225 522</b>		<b>225 522</b>
<b>Financial liabilities</b>				
Payables		10 541		10 541
Borrowings outstanding	0%	1 391	46 940	48 331
<b>Total Financial liabilities</b>		<b>11 932</b>	<b>46 940</b>	<b>58 872</b>

**Note 6 Judgment and accounting estimates**

Preparation of the financial statements under IPSAS calls for the use of estimates and/or assumptions having a bearing, on the one hand, on the amounts of the assets and liabilities disclosed and the disclosure of contingencies and obligations at the date of the balance sheet and, on the other hand, on the amount of the revenues and expenses for the accounting period. Although the estimates are based on past experience and on various other factors deemed reasonable in the prevailing circumstances, the results actually obtained may differ from those foreseen when the estimates were made.

Areas entailing a high degree of judgment and complexity or in which assumptions and estimates have a negative impact on the establishment of the financial statements are:

- post-employment benefits, particularly where the ASHI plan is concerned (see note 18);

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- useful lives of fixed and intangibles assets and their possible impairment (see notes 3.3, 3.4 and 12-13);
- impairment of receivables (see note 9);
- probability of sale in stocks of publications (see note 10);
- deferred revenue from satellite network filings (see note 16); and
- Provisions for satellite network filings and litigation (see note 19).

**Note 7 Cash and cash equivalents**

Description (CHF '000)	31 December 2022	31 December 2021 (restated)
Petty cash in CHF	10	18
Petty cash in foreign currency	108	93
Bank current accounts in CHF	68,637	97,815
Bank current accounts in foreign currency	54,099	20,485
Deposit accounts in EUR	11,337	11,982
Short term investment 0-3 months	59,676	73,419
<b>Cash and cash equivalents</b>	<b>193,868</b>	<b>203,811</b>

The table above notes the cash balances as at 31 December 2022 and 2021 and the table below show the level of restrictions for the immediate use during the ordinary course of business. Restricted cash is composed of FIPOI and donations for the new building and ITU's old pension fund.

Description (CHF '000)	31 December 2022	31 December 2021
<b>Non restricted cash</b>	<b>166 726</b>	<b>174 991</b>
Petty cash in CHF	10	18
Petty cash in foreign currency	108	93
Bank current accounts in foreign currency	54 101	20 486
Bank current accounts in CHF	47 134	79 182
Deposit accounts in EUR	11 337	11 982
Short term investment 0-3 months	54 034	63 230
<b>Restricted cash</b>	<b>27 142</b>	<b>28 820</b>
Bank current accounts in CHF	21 501	18 631
Short term investment 0-3 months	5 642	10 189
<b>Cash and cash equivalents</b>	<b>193 868</b>	<b>203 811</b>

**Note 8 Investments**

Fixed-term investments are remunerated at market rates and classified as financial instruments at fair value through surplus/deficit. The fair value of the cash deposits is equivalent to the carrying amount.

The decrease in the investments is mainly represented by the higher rate of implementation of the extrabudgetary projects revenue received in 2021 which can also be seen in the decrease of the third-party funds (see note 21). Also, programme budget actual revenue was less than the budgeted amounts, which further decreased funds available for investment.

A breakdown of fixed-term investments by date of maturity (period remaining) and by currency is shown below:

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Description (CHF '000)	31 December 2022	31 December 2021 (restated)
Maturity		
4-6 months	13,860	10,175
7-9 months		11,100
Over ( months)		
<b>Total Investments</b>	<b>13,860</b>	<b>21,275</b>

**Note 9 Receivables**

Description (CHF'000)	31 December 2022	31 December 2021 (restated)	Variation
Current receivables – exchange transactions	6,437	12,212	(5,775)
Provision for losses on current receivables – exchange transactions	(1,104)	(1,223)	119
<b>Current receivables – exchange transactions: net value</b>	<b>5,333</b>	<b>10,989</b>	<b>(5,656)</b>
Current receivables – non-exchange transactions	32,810	43,105	(10,295)
Provision for losses on current receivables – non-exchange transactions	(20,349)	(34,603)	14,254
<b>Current receivables – non-exchange transactions: net value</b>	<b>12,461</b>	<b>8,502</b>	<b>3,958</b>
Non-current receivables – exchange transactions	-	-	-
Provision for losses on non-current receivables – exchange transactions	-	-	-
<b>Non-current receivables – exchange transactions: net value</b>	<b>-</b>	<b>-</b>	<b>-</b>
Non-current receivables – non-exchange transactions	14,677	5,967	8,710
Provision for losses on non-current receivables – non-exchange transactions	(14,677)	(5,967)	(8,710)
<b>Non-current receivables – non-exchange transactions: net value</b>	<b>-</b>	<b>-</b>	<b>-</b>

Non-current, non-exchange receivables represent receivables from the debt repayment schedules applicable to members having undertaken to repay such debts under an agreement spanning several financial periods.

Other receivables represent uncollected revenue for services associated with TELECOM and voluntary contributions.

Following the payment of receivables amounting to CHF 4.8 million for which an impairment had been done past years, the impairment for doubtful debts has been reduced accordingly. At year end, an adjustment was recorded amounting to CHF 1.8 million for the regular budget.

In 2022, the interest calculated on late arrears as per Article 33, No 474 of the Convention, amounted CHF 1.5 million (2021: CHF 1.8 million).

The situation with respect to arrears in the Union's regular budget as at 31 December 2022 is to be found in Document C23/INF/4.

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**Note 10 Inventories**

Description (CHF '000)	31 December 2022	31 December 2021 (restated)
Publications – net value	75	141
Souvenirs – net value	29	22
Supplies - net value	203	304
<b>Total inventories – net value</b>	<b>307</b>	<b>467</b>

**Note 11 Other receivables**

Description (CHF '000)	31 December 2022	31 December 2021 (restated)
Employee advances	2,184	1,807
Withholding tax	1,390	1,481
Pensions	126	168
Accrued interest	242	75
Prepaid expenses	1,499	2,796
<b>Total - other receivables</b>	<b>5,441</b>	<b>6,325</b>

**Note 12 Property and equipment**

The ITU buildings comprise the following:

- Tower building, rue de Varembé, Geneva;
- Varembé building, rue de Varembé, Geneva. This building has been fully depreciated as at 31 December 2022 (\*see table below) in anticipation of commencement of the new building project. Currently this building is still in use;
- Extension C and Cafeteria, rue de Varembé, Geneva;
- Montbrillant building, rue de Varembé, Geneva.

As of December 2022, no property, or equipment had been pledged as security for debt. ITU maintains a comprehensive schedule of property, plant, and equipment. This schedule includes assets that have reached full depreciation but are still in active use within the organization. The gross carrying amount of fully depreciated property, plant, and equipment that remains in use as of 31 December 2022 is as follows:

Asset Category - Gross carrying amount	31 December 2022
Buildings *	37,613
Mach & equip.	1,943
Computer equipment	7,419
Vehicles	199
<b>Total</b>	<b>47,174</b>



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**2022**

Categories of asset (CHF '000)	Buildings	Mach. & equip.	Furniture & fixtures	Computer equipment	Vehicles	Total 2022
<b>Cost at 1 January 2022</b>	126'339	2'113	1'394	8'802	296	138'944
Additions	6	43	10	224		283
Disposals		(760)	(41)	(1'822)		(2'623)
<b>Cost at 31 December 2022</b>	126'345	1'396	1'363	7'204	296	136'604
<b>Accumulated depreciation at 1 January 2022</b>	56'113	1'989	1'361	7'574	236	67'273
Recognized during the year	7'809	41	21	652	19	8'542
Disposals		(760)	(41)	(1'822)		(2'623)
<b>Accumulated depreciation at 31 December 2022</b>	63'922	1'270	1'341	6'404	255	73'192
<b>Net carrying amount at 1 January 2022</b>	70'227	123	32	1'229	60	71'671
<b>Net carrying amount at 31 December 2022</b>	62'423	126	22	800	41	63'412

**2021**

Categories of asset (CHF '000)	Buildings	Mach. & equip.	Furniture & fixtures	Computer equipment	Vehicles	Total 2021
<b>Cost at 1 January 2021</b>	125'070	2'121	1'506	9'354	296	138'347
Additions	49	34	-	910	-	993
Disposals		(43)	(112)	(1'461)		(1'616)
Reclassifications & corrections	1'219					1'219
Revaluations						-
<b>Cost at 31 December 2021</b>	126'338	2'112	1'394	8'803	296	138'943
<b>Accumulated depreciation at 1 January 2021</b>	48'084	1'989	1'449	8'582	203	60'307
Recognized during the year	8'027	43	25	453	33	8'581
Disposals		(43)	(112)	(1'461)		(1'616)
<b>Accumulated depreciation at 31 December 2021</b>	56'111	1'989	1'362	7'574	236	67'272
<b>Net carrying amount at 1 January 2021</b>	76'986	132	57	772	93	78'040
<b>Net carrying amount at 31 December 2021</b>	70'227	123	32	1'229	60	71'671

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**Note 13 Intangible assets**

In accordance with our financial reporting practices, we have assessed the materiality level for recording of intangible assets and identified projects with a materiality threshold of CHF 100,000. As at 31 December 2022, our evaluation has led to the identification of 8 projects within the intangible asset category which have useful economic life of almost 2 years which are valued at CHF 2.468 million. These projects include development of Space administration, SAP development and recruitment modules. Furthermore, there were no significant contractual commitments against intangible assets as at 31 December 2022.

Category of asset (CHF '000)	Internal Development		Software		Total 2021	Total 2022
	2022	2021	2022	2021		
<b>Cost at 1 January</b>	<b>3 288</b>	<b>3 211</b>	<b>6 817</b>	<b>7 025</b>	<b>10 236</b>	<b>10 105</b>
Additions	2 263	77	1 023	384	461	3 286
Disposals			(1 360)	(592)	(592)	(1 360)
Reclassifications & corrections			306		-	306
					-	-
<b>Cost at 31 December</b>	<b>5 551</b>	<b>3 288</b>	<b>6 786</b>	<b>6 817</b>	<b>10 105</b>	<b>12 337</b>
					-	-
<b>Amortization at 1 January</b>	<b>3 063</b>	<b>2 590</b>	<b>6 249</b>	<b>6 203</b>	<b>8 793</b>	<b>9 312</b>
Recognized during the year	238	473	610	522	995	848
Amortization			(1 254)	(475)	(475)	(1 254)
Impairment losses					-	-
Reclassifications and corrections					-	-
Revaluations					-	-
					-	-
<b>Amortization at 31 December</b>	<b>3 301</b>	<b>3 063</b>	<b>5 605</b>	<b>6 250</b>	<b>9 313</b>	<b>8 906</b>
					-	-
<b>Net carrying amount at 1 January</b>	<b>225</b>	<b>621</b>	<b>568</b>	<b>821</b>	<b>1 442</b>	<b>793</b>
<b>Net carrying amount at 31 December</b>	<b>2 250</b>	<b>225</b>	<b>1 181</b>	<b>567</b>	<b>792</b>	<b>3 431</b>

As of 31 December 2022, the ITU maintains a comprehensive schedule of intangible assets. This schedule includes assets that have reached full depreciation but are still in active use within the organization. The gross carrying amount of fully depreciated intangible assets that remains in use as of 31 December 2022 is as follows:

Asset Category - Gross carrying Amount	(CHF '000)
Internal Developments	3 211
Software	6 430
<b>Total</b>	<b>9 641</b>

**Note 14 Assets under construction**

It has been decided to disclose separately the assets under construction to anticipate on the new building project and thus allow for a transparent follow-up of the project during the construction phase. As of 31 December 2022 there were no significant contractual commitments.

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Category of asset	Building Under construction		Other Under construction		Total 2021	Total 2022
	2022	2021	2022	2021		
<b>Cost at 1 January</b>	13,362	8,176	370	1,267	<b>9,443</b>	<b>13,732</b>
Additions	4,143	5,186	2,204	323	5,509	6,347
Reclassifications & corrections	(23)	-	(287)	(1,220)	(1,220)	(310)
Revaluations						
<b>Net carrying amount at 31 December</b>	<b>17,482</b>	<b>13,362</b>	<b>2,287</b>	<b>370</b>	<b>13,732</b>	<b>19,769</b>

**Note 15 Suppliers and other creditors**

Description (CHF '000)	31 December 2022	31 December 2021 (restated)
Suppliers	4,156	2,055
Advances from customers	5,993	2,497
Advances for conferences	392	2,903
<b>Total - Suppliers and other creditors</b>	<b>10,541</b>	<b>7,456</b>

The amount shown for suppliers relates mainly to unpaid invoices, staff accounts and IOV invoices open for settlement with UNDP.

Advanced payments from customers have been received for satellite network filings and for future publication purchases or invoices. These sums will be refunded to the beneficiaries or used to settle future invoices for satellite network filings and publications. Upon Member State request some funds received, previously recorded under non allocated funds, have been reclassified under deposits received which explains the increase in that category.

The advances for conferences are payments made to the Union's accounts by the host countries for the organization of events such as world conferences. After the closing of the event, the remaining balance is refunded to the host countries in conformity with the signed agreements.

**Note 16 Contributions received in advance and deferred revenue**

Description (CHF '000)	31 December 2022	31 December 2021 (restated)
Contributions - Member States	45,913	49,586
Contributions - Sector Members	4,121	3,331
Contributions - Associates	639	524
Contributions - Academia	150	131
<b>Contributions received in advance</b>	<b>50,823</b>	<b>53,572</b>

The amount for contributions received in advance mainly concerns payments received from Member States in 2022 for their 2023 assessed contributions.

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Description (CHF '000)	31 December 2022	31 December 2021 (restated)
Contributions - Extra-budgetary	798	922
SNF	10,011	9,493
<b>Deferred revenue</b>	<b>10,809</b>	<b>10,415</b>

In 2022, the deferred revenue mainly concerns the satellite network filings related to requests processed and invoiced in 2022 for which the final publication in the BR International frequency Information Circular (IFIC) has not yet been done. The voluntary contributions deferred revenue related to signed binding agreement which has not been received in 2022.

**Note 17 Borrowings and other financial debts**

Description (CHF'000)	Due date	12/31/2022	12/31/2021 (restated)
<b>Net present value of borrowings</b>			
CHF 19'627'590 - dès 1990	2039	6 615	7 971
CHF 45'427'250 - dès 2002	2051	21 307	27 257
CHF 2'000'000 - dès 2002	2051	938	1 200
New Building Project		19 471	16 954
of which short term		1 391	1 391
of which long term		46 940	51 991
<b>Borrowings - Net present value</b>		<b>48 332</b>	<b>53 382</b>

Under IPSAS 29, Financial Instruments: Recognition and Measurement, interest-free loans from FIPOI noted in the table above are recognized at fair value representing the difference between the interest rate of 1.476% and the interest free loan (CHF 6.2 million). The borrowings outstanding as at 31 December 2022 is CHF 48.3 million (2021: CHF 53.4 million).

As a result of this change in accounting policies it was necessary to restate all outstanding loans for 31 December 2022 as noted in the table above. This has the effect of reducing the loans outstanding in the Statement I of Financial position as at 31 December 2022 only as negative interest rates applied at 31 December 2021. The impact of the change in accounting policy is detailed in Note 30.

In 2017 a new interest-free loan amounting CHF 150 million has been granted for the ITU new building project. As at 31.12.2022, CHF 19,472,000 were already received. The reimbursement of the loan granted for the new ITU premise will start only after the successful delivery of the new building. This loan is recognized initially at fair value and then subsequently be measured at amortized costs. The treatment of this loan will follow a similar approach to other concessionary loans from FIPOI. ITU's building project has not yet commenced and no repayment plan has been arranged as a result. As soon as new information is available ITU will reflect these decisions in its financial statements.

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**Note 18 Employee benefits**

Employee benefits refer to all forms of consideration given by ITU in return for services rendered by its employees. They are recognized as and when they are earned by employees.

Description (CHF '000)	31 December 2022	31 December 2021
Accumulated leave	221	390
Overtime	24	34
<b>Total current employee benefits liabilities</b>	<b>245</b>	<b>424</b>
Accumulated leave	11,745	11,063
Installation/ repatriation	12,571	13,330
Pensions	54	54
ASHI	344,102	545,636
<b>Total non-current employee benefits liabilities</b>	<b>368,472</b>	<b>570,083</b>
<b>Total employee benefits liabilities</b>	<b>368,717</b>	<b>570,507</b>

**18.1 After Service Health Insurance**

*18.1.1 Actuarial valuation of post-employment benefits under the ASHI plan*

The accounting for the ASHI-related obligations is based on an annual actuarial study carried out by an independent consultancy. The most recent valuation, carried out in January 2023, established at CHF 344.1 million the ITU's obligations in respect of post-employment sickness benefits due to employees meeting the specified conditions at 31 December 2022 (2021: CHF 545.6 million). The actuarial study was carried out based on data (claim cost /contribution paid/ eligible population) provided by ITU.

*18.1.2 Actuarial valuation – assumptions and methods*

Within the framework of the valuation of obligations relating to the ASHI plan at 31 December 2022 and of the contribution for the 2022 period, ITU validates the assumptions and methods used by the actuaries. The assumptions and methods used for the valuation covering the 2022 period are described below.

Discount rate	2.50% for 2022 and 0.50% for 2021. The discount rates used for this valuation were first determined separately for each of the major currencies including CHF, USD, EUR by using Aon AA Corporate Bond Yield Curve as at December 31, 2022. The ultimate discount rate was then determined by averaging the currency-denominated discount rates, weighted by the benefit payments paid to current inactive in each currency.
Increase in medical costs	2.80% for 2022, and 2.50% in 2021.
Salary increases	3% plus 2019 UNJSPF Static salary scale.
Pension increases	2.50% for 2022 and 2021
Estimated annual average cost of claims for reimbursement of medical expenses in 2022 and variation in medical expenses according to age	The 2022 actuarial report is based on average cost of claims for reimbursement in CHF estimated at the end of the 2022 period as an average per age range of 50, 55, 60, 65, 70, 75 and 80 years at CHF 3'138, CHF 3'928, CHF4'925, CHF 6'184, CHF 7'777, CHF 9'800, CHF 12'369.
Administrative expenses	The annual average administrative cost per person was estimated at CHF 162

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Mortality	The mortality is based on the last Sex-distinct United Nations Mortality Tables (Jan. 2023) with no longevity improvement for actives and disable retirees, and with generational longevity improvement through 2042 for Service Pensioners, Widows and Widowers. Base year is 2017 with generational longevity
Valuation of assets	ITU has no asset under the Guarantee Funds as of 31 December 2022.
Disability rate	Varies according to age and gender and for Professional Staff and General Service Staff and increases with age. The rate is based on the United Nations Disability table communicated January 2023.
Rates of conversion of benefit rights	Vary according to age and number of years of service, with requests for conversion being more frequent in the first year.
Employee turnover	The separation rate for employees leaving the organizations considered in the valuation varies according to age and gender.
Retirement rate	For all staff, retirement rates are set equal to the rates from United Nations Task force message January 2023. Rates vary according to age, years of service, professional category.
Participation	97.5% of future retirees will elect coverage in the ASHI.
Spouse coverage	75% and 25% of male and female retirees have a spouse who will elect coverage with the ASHI. Men are assumed to be five years older than their spouse.
Actuarial method	Projected unit credit method with Service Prorate. The allocation period beginning at 45 years of age to reflect the fact that employees must be at least 55 years old and have completed 10 years of service in order to be eligible.
Net assets approach	All gains/losses are recognized in full immediately during the year in which they arise, but outside of surplus or deficit through the statement of changes in net assets.

Staff members (and their spouses, dependent children, and survivors) separating from service at age 55 or over are entitled to after-service health insurance coverage provided they have completed at least ten years' service with the United Nations or a specialized agency and were insured under the UNSMIS health plan during the five years immediately preceding their separation from service. The same benefits apply to staff members in receipt of a disability allowance from the United Nations Joint Staff Pension Fund. This regime is jointly financed, with ITU contributing 2/3 and the insured person 1/3.

The following table provides additional information and analyses concerning the after-service health insurance liabilities arising from employee allowances according to the actuarial study performed to obtain the amounts at 31 December 2022.

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Amounts of obligations under the ASHI plan (CHF '000)	31 December 2022	31 December 2021
Balance as at 01 January 2022-2021	545,636	631,870
- <i>Net Current Service Cost</i>	19,685	25,171
- <i>Finance charge</i>	2,703	1,254
<b>Total expenses recognized in the statement of financial performance</b>	<b>22,388</b>	<b>26,425</b>
- Obligation due to changes in Demographic assumptions	(80,067)	(20,208)
- Obligation due to changes in Financial assumptions	(133,642)	(81,282)
- Obligation due to experience during the period	(1,801)	(2,009)
<b>Total Actuarial losses recognized in net assets</b>	<b>(215,510)</b>	<b>(103,499)</b>
<b>Contributions during the period</b>	<b>(8,412)</b>	<b>(9,160)</b>
<b>Amount of obligations under the ASHI plan as at December 2022-2021</b>	<b>344,102</b>	<b>545,636</b>

The main reason of this second-year decrease from CHF 545.6 million at the end of 2021 to CHF 344.1 million in 2022 is explained by the change in the financial and demographic assumptions for 2022. The main element impacting the valuation of the ASHI is the discount rate which is used to calculate the present value of the future claims. In 2022, the discount rate increased from 0.5 per cent to 2.5 per cent. This increase of the discount rate triggered an actuarial gain on ASHI amounting to CHF 170.3 million.

The second element which has positively impacted the ASHI liability in 2022, is the reduction in medical claims. The analysis made based on the data provided by UNSMIS shows a decrease of 10 per cent which generates a further actuarial gain on the liability of CHF 80.8 million.

The Contributions, paid by the Organization for the ASHI amounted CHF 8.4 million in 2022. The employer expected contribution for 2023 amount to about CHF 9.1 million.

Since January 2020, the ITU is part of the UNSMIS (United Nations Staff Mutual Insurance Society). Joining this UN medical plan presents advantages for the staff as the contribution rate has been decreased and the deductible removed but also for ITU on a long-term approach due to the size of this plan. This plan brings together several organizations and specialized agencies of the United Nations based in Geneva. This health insurance plan includes the staff of the UN office in Geneva; UNHCR and WMO.

In order to join the UNSMIS medical plan in January 2020, ITU had to contribute to the reserve fund of this plan for an equalization. The level of the contribution had been agreed at the level of USD 19.5 million (CHF 19.5 million) which were paid from the CMIP guarantee fund in early 2020. In addition, an extraordinary contribution will be paid yearly for 13 years starting 2020. This extra-contribution aims to regularize the impact of ITU joining this medical plan based on the staff and retiree age, demographics and other agree factors. This extra-contribution represents a total amount of USD 22.5 million split to be paid yearly over 13 years. . The impact of this change in accounting policy is shown in Note 30.

The UNSMIS plan joined in 2020 is based on a salary-based contribution of 3.4 per cent. The follow-up of the cost containment is managed by the UNSMIS Committee where ITU has a seat as a new member. Further details can be found in Document C23/46 on the annual report on ASHI.

### 18.1.3 Sensitivity information for healthcare plan

The sensitivity of defined benefit obligation at 31 December 2022 and of the service cost and interest cost for fiscal year 2023 related to changes in the assumed healthcare trend are shown below



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A one per cent increase in the healthcare rate would result in a rise in the aggregate of service cost and interest costs of CHF 6.7 million and have an impact on the defined-benefit obligation of CHF 87.4 million. A one per cent decrease would result in a reduction of CHF 4.9 million in service cost and interest costs and of CHF 68 million in the defined-benefit obligation.

The discount rates used for this valuation were determined by using Aon AA Corporate Bond Yield Curves as at December 31, 2022. The reduction of the discount rate by 100 bps would increase the DBO +21%, which is about CHF 73 million. It is only the assumed healthcare trend and the discount rate that have a significant effect on the amounts calculated for the ASHI liability and expenses and changes in the other assumptions are not expected to have significant effects on this liability.

### **18.2 Repatriation grant**

#### *18.2.1 Definition*

In principle, a repatriation grant shall be payable to staff members who have at least 5 years of continuous services and whom the Union is obliged to repatriate. Costs include accrued annual leave, repatriation travel and removal on repatriation. Detailed conditions and definitions relating to eligibility and requisite evidence of relocation shall be determined by the Secretary-General.

Length of service, gross salary less staff assessment (including any language allowances and nonresident's allowance if applicable for General service staff) were taken into account in calculating the total amount of the obligation at 31 December 2022. The economic assumptions used are a discount rate of 2.5 per cent (0.5 per cent in 2021) and a rate of salary increase of 3 per cent. For the valuation of 2022, the assumptions for the actuarial study on the repatriation grant have been aligned with the ASHI assumptions.

#### *18.2.2 Payment of the repatriation grant*

Payment of the repatriation grant is governed by the conditions and definitions set out in the Staff Regulations and Staff Rules. As of December 2022, the employee benefit liability for repatriation amounted to CHF 13.3 million against CHF 12.7 million in 2021. This provision is funded by a deduction of one per cent from the remuneration of staff members other than those engaged for conferences and other short-term services.

The liability recognized for these other long-term benefits is the present value of the defined benefit obligations at the reporting date. The liability is calculated by an independent actuary using the Projected Unit Credit Method. Interest cost, current service costs and actuarial gains or losses arising from changes in actuarial assumptions or experience adjustments are recognized in the statement of financial performance.

The latest actuarial study (as at 31 December 2022) which covers the staff financed through the regular budget estimated the full repatriation grant to be CHF 12.3 million compared to CHF 13.1 million as at 31 December 2021, a net decrease of CHF 795,000, which is recognized by nature of expense, in the Statement of Financial Performance (Statement II).

An IPSAS-compliant actuarial valuation is carried out each year by an independent consultancy.

### **18.3 Employee benefits under the United Nations staff pension plan**

The ITU is a member organization participating in the United Nations Joint Staff Pension Fund (the "Fund"), which was established by the United Nations General Assembly to provide retirement, death, disability and related benefits to employees. The Fund is a funded, multi-employer defined benefit plan. As specified in Article 3(b) of the Regulations of the Fund, membership in the Fund shall be open to the specialized agencies and to any other international, intergovernmental organization which participates in the common system of salaries, allowances and other conditions of service of the United Nations and the specialized agencies.



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The Fund exposes participating organizations to actuarial risks associated with the current and former employees of other organizations participating in the Fund, with the result that there is no consistent and reliable basis for allocating the obligation, plan assets and costs to individual organizations participating in the Fund. The ITU Fund, in line with the other participating organizations in the Fund, are not in a position to identify the ITU's proportionate share of the defined benefit obligation, the plan assets and the costs associated with the plan with sufficient reliability for accounting purposes. Hence, the ITU has treated this plan as if it were a defined contribution plan in line with the requirements of IPSAS 39: Employee benefits. The ITU's contributions to the Fund during the financial period are recognized as expenses in the Statement of Financial Performance.

The Fund's Regulations state that the Pension Board shall have an actuarial valuation made of the Fund at least once every three years by the Consulting Actuary. The practice of the Pension Board has been to carry out an actuarial valuation every two years using the Open Group Aggregate Method. The primary purpose of the actuarial valuation is to determine whether the current and estimated future assets of the Fund will be sufficient to meet its liabilities.

The ITU's financial obligation to the Fund consists of its mandated contribution, at the rate established by the United Nations General Assembly (currently at 7.9 per cent for participants and 15.8 per cent for member organizations) together with any share of any actuarial deficiency payments under Article 26 of the Regulations of the Pension Fund. Such deficiency payments are only payable if and when the United Nations General Assembly has invoked the provision of Article 26, following determination that there is a requirement for deficiency payments based on an assessment of the actuarial sufficiency of the Fund as of the valuation date. Each member organization shall contribute to this deficiency an amount proportional to the total contributions which each paid during the three years preceding the valuation date.

The latest actuarial valuation for the Fund was completed as of 31 December 2021, and a roll forward of the participation data as of 31 December 2021 to 31 December 2022 has been used by the Fund for its 2022 financial statements.

The actuarial valuation as of 31 December 2021 resulted in a funded ratio of actuarial assets to actuarial liabilities of 117.0 per cent (107.1 per cent in the 2019 valuation). The funded ratio was 158.2 per cent (144.4 per cent in the 2019 valuation) when the current system of pension adjustments was not taken into account.

After assessing the actuarial sufficiency of the Fund, the Consulting Actuary concluded that there was no requirement, as of 31 December 2021, for deficiency payments under Article 26 of the Regulations of the Fund as the actuarial value of assets exceeded the actuarial value of all accrued liabilities under the plan. In addition, the market value of assets also exceeded the actuarial value of all accrued liabilities as of the valuation date. At the time of this report, the General Assembly has not invoked the provision of Article 26.

Should Article 26 be invoked due to an actuarial deficiency, either during the ongoing operation or due to the termination of the Fund, deficiency payments required from each member organization would be based upon the proportion of that member organization's contributions to the total contributions paid to the Fund during the three years preceding the valuation date. Total contributions paid to the Fund during the preceding three years (2019, 2020 and 2021) amounted to USD 8.505 billion, of which 0.34 per cent was contributed by the ITU.

During 2022, contributions paid to the Fund amounted to CHF 27.7 million (USD 28.9 million) (CHF 25.7 million in 2021). Expected contributions due in 2023 are approximately USD 29.2 million.

Membership of the Fund may be terminated by decision of the United Nations General Assembly, upon the affirmative recommendation of the Pension Board. A proportionate share of the total assets of the Fund at the date of termination shall be paid to the former member organization for the exclusive benefit of its staff who were participants in the Fund at that date, pursuant to an arrangement mutually agreed between the organization and the Fund. The amount is determined by the United Nations Joint Staff Pension Board based

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on an actuarial valuation of the assets and liabilities of the Fund on the date of termination; no part of the assets which are in excess of the liabilities are included in the amount.

The United Nations Board of Auditors carries out an annual audit of the Fund and reports to the Pension Board and to the United Nations General Assembly on the audit every year. The Fund publishes quarterly reports on its investments, and these can be viewed by visiting the Fund at [www.unjspf.org](http://www.unjspf.org).

**Summary of contributions to the Fund for the period 1 January to 31 December 2022**

Description	Normal contributions	Service validation contributions /restitution	Voluntary contributions	Total
Contributions by participants	9,192	15	25	9,231
Contributions by the Union	18,383	13	50	18,446
<b>Total</b>	<b>27,575</b>	<b>27</b>	<b>75</b>	<b>27,677</b>

Obligations related to other employee benefits

Before the establishment of UNJSPF and ITU's affiliation thereto, the Union had set up funds to provide retirement, death, disability and health insurance benefits to its staff members. Since ITU's affiliation to the above-mentioned funds, the funds previously created have functioned as a closed fund. Obligations thereunder are shown as long-term liabilities. Agreements have been concluded between ITU and its funds to ensure the latter's financing.

In 2022, the Union did not consider it necessary to request a new actuarial study for the Staff Superannuation and Benevolent Funds. At 31 December 2022, the provision for the obligations arising from pensions currently being paid to former employees affiliated to the Staff Superannuation and Benevolent Funds, recognized in 2010 in the amount of CHF 54 000, remains unchanged.

**Note 19 Provision**

The provision for risks and expenses comprises the provision for litigation which represents management's valuation, at the date of closure, of future obligations associated with a past event in respect of various disputes to which ITU is a party, as well as the average cost for the administrative expenses in respect of each case brought before the tribunal. There is uncertainty for ITU related to the final value and timing of the outflows of these disputes

The provision for satellite network filings (SNF) comprises the amount corresponding to the unclaimed free-of-charge publication that Administrations are entitled to request each year. The entirety of this provision will be used during the 2023 financial period.

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Description (CHF '000)	SNF	Provision Litigation	Total
Opening balance	279	1,093	1,372
Increase	370	748	1,118
Used during year	(212)	(712)	(924)
Unused amounts reversed	(67)	(42)	(109)
Unrealized exchange gain		1	1
<b>Total - 31 December 2022</b>	<b>370</b>	<b>1,089</b>	<b>1,459</b>

**Note 20 Other debts**

Description (CHF '000)	31 December 2022	31 December 2021 (restated)
Accounts payable	967	3,307
Employees miscellaneous	1,236	1,616
Goods receipt/Invoice receipt	21	37
UNDP	6	2
<b>Total - Other debts</b>	<b>2,230</b>	<b>4,962</b>

**Note 21 Extra budgetary funds**

Description (CHF '000)	31 December 2022	31 December 2021 (restated)
Extrabudgetary projects	35,350	43,470
Third-party funds awaiting allocation	2,679	3,216
<b>Total - Third-party funds</b>	<b>38,029</b>	<b>46,686</b>

In 2022 ITU restated the voluntary contributions received for the sponsorship of the new building which explained the significant increase in the third parties allocated funds. The impact of this change in accounting policy is shown in Note 30.

Concerning the extra-budgetary projects (FIT and restrictive voluntary contributions), the implementation of many projects signed in 2021 had started, which explains the global decrease of the extra-budgetary funds. This trend can also be seen on the revenue from the support cost for the year 2022 which increased by 30 per cent.

It is also to be noted the reclassification of CHF 4 million into the customer deposit. See Note 15.

As at 31 December 2022, 85 FIT projects were active and 137 voluntary contributions were managed. More details can be found in document C23 INF/12 on Voluntary contributions.

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**Note 22 Revenue****Assessed Contributions**

The following table shows the assessed contributions recorded in the 2022 period.

Description (CHF '000)	31 December 2022	31 December 2021 (restated)
Contributions by Member States	109,293	109,293
Contributions by Sector Members	13,798	13,809
Contributions by Associates	2,180	2,120
Contributions by Academia	408	389
Contributions conferences	1,935	
<b>Total - Assessed Contributions</b>	<b>127,613</b>	<b>125,611</b>

By its Resolution 1405, adopted at its 2021 session, the Council approved the budget of the Union for the period 2022-2023.

The Council set the amount of the contributory unit for Member States at CHF 318'000 for 2022 and 2023, based on 343 11/16 units. In the same Resolution, it set at CHF 63'600 the amount of the contributory unit for Sector Members for 2020 and 2021, this being 1/5 of the contributory unit for Member States. The financial contribution of Associates was set as follows: CHF 10'600 for Associates participating in the work of ITU-R and ITU-T, CHF 3'975 for Associates participating in the work of ITU -D, and CHF 1'987.50 for Associates participating in the work of ITU-D in the case of Associates from developing countries. The financial contribution for Academia, universities and their associated research establishments is set as follows: CHF 3'975 for developed countries and CHF 1'987.50 for developing countries participating in the work of the three sectors.

The 2022 revenues from Member States are in line with the financial plan as presented at PP-18. The assessed contributions from Member States are based on 343 11/16 Units.

Contributions have been recognised for:

the Telecommunications Development Conference (WTDC) in Kigali, Rwanda. The Rwandan government covered the transport costs and accommodation of all the ITU staffs who travelled there. The Rwandan government also directly provided logistics and security for all participants.

the Plenipotentiary Conference, in Bucharest, Romania. The Romanian government financed the costs related to the transport and accommodation of the ITU staff who participated in this conference. Romania has also directly provided logistics and security for all participants.

**Other and Extrabudgetary funds**

Voluntary contributions and FIT projects are sources of funding from third parties to support the Union in implementing development projects in favor of the developing, UN-designated least developed countries but also to complement the ITU budget on regular activities. The total of voluntary contributions and fund in trust received amounted to CHF 18 million in 2022 (CHF 13.4 million in 2021).

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Description (CHF '000)	31 December 2022	31 December 2021 (restated)
Extrabudgetary contributions		
- Voluntary contributions	3,947	2,850
- Trust fund contributions	14,018	11,273
<b>Total - Extrabudgetary Funds</b>	<b>17,965</b>	<b>14,123</b>

**Other operating revenue**

Description (CHF '000)	31 December 2022	31 December 2021 (restated)
Cost recovery revenue		
- Publications	14 604	19 411
- Satellite Network Filings (SNF)	10 285	11 240
- Other revenue	1 584	6 703
<b>Total - Other debts</b>	<b>26 473</b>	<b>37 355</b>

Revenue from sales of publications in 2022 reached CHF 14.6 million, CHF 0.9 million short of the budgeted forecast of CHF 15.5 million for 2022.

The lower forecast of CHF 15.5 million in 2022 compared to 2021's forecast of CHF 19 million and subsequent sales of CHF 19.4 million, is directly due to the unique cyclical calendar of ITU's flagship maritime publications, which account for over 90 per cent of sales of publications and where only one maritime title is released on an annual basis (List V). Revenue in 2022 was driven solely by the strong sales of CHF 9 million of the year's only release, List V/List of Ship Stations 2022.

In 2022 The lower revenue for Satellite Network Filings (SNF) is due to reduced cost recovery as a result of the Covid pandemic which has had a significant drop in requests for notification. This has resulted in a drop in expected revenues. Indeed, the SNF budget was CHF 15 million, but the actual revenue accounted for was CHF 10.3 million, a shortfall of CHF 4.7 million against the approved budget.

It should be noted that due to the abrogation of Resolution 11 by PP-2022 concerning Telecom events, the cost recovery associated for this activity was not recovered. This resulted in a loss of budgeted revenue of CHF 1.5 million in 2022.

**Finance revenue**

Description (CHF '000)	31 December 2022	31 December 2021 (restated)
Investment interest	1 523	241
Realized exchange gains / (loss)	(954)	203
Unrealized exchange gains / (loss)	166	604
Bank charges	(422)	(550)
<b>Total - Finance revenue</b>	<b>313</b>	<b>497</b>

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The interest rate on short-term deposits in US dollars has risen in 2022 which explains the increase compared to 2021.

## Note 23 Expenses

### Employee expenses

Employee expenses cover all remunerations paid to staff members on permanent posts and all staff recruited for conferences or holding short-term contracts, such as base salary, post adjustment, language allowance, non-resident allowance, dependency allowance and overtime, as well as other employee expenses.

Description (CHF '000)	31 December 2022	31 December 2021 (restated)
<b>Salaries and allowances</b>	<b>101,037</b>	<b>98,136</b>
- Installations and repatriation	1,085	2,005
- Education grant	3,736	3,576
- Home leave	741	805
- Accrued leave	1,680	1,007
- Health & accident insurance	11,785	11,293
- UNJSPF contribution	19,138	17,631
- Other expenses	331	181
- Adjustment ASHI	13,977	17,265
<b>Other employee expenses</b>	<b>52,473</b>	<b>53,763</b>
<b>Total - Employee expenses</b>	<b>153,510</b>	<b>151,899</b>

Globally the employee expenses remained stable in 2022. However, an increase in the salaries and allowances due to an increase of 2.9 per cent in the G staff base salary is to be noted. This increase also triggered an increase in the health insurance and pension contribution. These increases had been offset by the increase in the discount rate, which resulted in the ASHI adjustment decreased by CHF 3.3 million recorded under staff costs.

Description (CHF '000)	31 December 2022	31 December 2021 (restated)
Mission expenses	5 589	443
Contractual services	20 527	21 262
Rental and maintenance of premises and equipment	2 860	1 847
Equipment and supplies	2 460	2 297
Depreciation and impairment losses	9 495	9 693
Shipping, telecommunications and service expenses	2 242	1 505
Other expenses	122	1 936
<b>Total - non staff costs</b>	<b>43 296</b>	<b>38 984</b>

### Mission expenses

In 2022, most of the travel restrictions due to COVID-19 have been raised allowing missions to take place as planned.

### **Contractual services**

This category covers all emoluments, fees and expenses paid to companies providing consultants within the framework of agreements and contractual arrangements. It also covers special service agreements, expenses pertaining to language courses as part of training, and costs in respect of subcontracted services. A detailed situation is shown in the segment reporting (Note 24).

### **Rental and maintenance of premises and equipment**

Rental and equipment expenses amounted to CHF 2.8 million in 2022 (CHF 1.8 million in 2021). This increase by 50 per cent is explained by the WTSA conference which was held at CICG where the venue as well as the audiovisual equipment were rented.

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**Note 24 Segment reporting – Statement of financial performance 2022**

In thousands of CHF	General Secretariat	ITU-R	ITU-T	ITU-D	Total Regular Funds	New Building	Insurance	Total Extrabudgetary Funds	Total
<b>REVENUE</b>									
Assessed contributions	58 721	28 035	17 721	23 137	<b>127 613</b>	-	-	-	<b>127 613</b>
Extrabudgetary contributions	-	-	-	-	-	-	-	<b>17 965</b>	<b>17 965</b>
Publications	39	14 518	3	43	<b>14 603</b>	-	-	<b>0</b>	<b>14 603</b>
Cost recovery	3	10 285	313	1	<b>10 602</b>	-	-	<b>20</b>	<b>10 622</b>
Other revenue	493	276	78	171	<b>1 017</b>	<b>270</b>	18	<b>(58)</b>	<b>1 247</b>
Finance revenue	198	73	34	74	<b>379</b>	<b>194</b>	86	<b>3 295</b>	<b>3 955</b>
<b>Total revenue</b>	<b>59 256</b>	<b>53 114</b>	<b>18 114</b>	<b>23 351</b>	<b>153 836</b>	<b>270</b>	<b>18</b>	<b>17 927</b>	<b>172 051</b>
<b>EXPENSES</b>									
Employee expenses	73 542	30 926	13 566	27 733	<b>145 766</b>	-	4	<b>7 740</b>	<b>153 510</b>
Mission expenses	1 502	498	323	1 671	<b>3 994</b>	-	-	<b>1 596</b>	<b>5 589</b>
Contractual services	7 862	879	748	2 143	<b>11 632</b>	-	-	<b>8 896</b>	<b>20 527</b>
Rental and maintenance of premises and equipment	2 473	75	174	76	<b>2 798</b>	-	-	<b>62</b>	<b>2 860</b>
Equipment and supplies	1 397	286	94	263	<b>2 040</b>	-	-	<b>420</b>	<b>2 460</b>
Depreciation	5 084	1 795	810	1 664	<b>9 352</b>	<b>5</b>	-	<b>138</b>	<b>9 495</b>
Shipping, telecommunication and services expenses	1 759	124	63	221	<b>2 167</b>	-	-	<b>76</b>	<b>2 242</b>
Auditing of accounts and inter-organizational contributions									
Other expenses	(521)	(155)	(76)	(147)	<b>(899)</b>	-	-	<b>1 021</b>	<b>122</b>
Finance expenses	47	1	1	14	<b>64</b>	<b>206</b>	11	<b>3 361</b>	<b>3 642</b>
<b>Total expenses</b>	<b>96 328</b>	<b>35 631</b>	<b>16 254</b>	<b>34 812</b>	<b>183 025</b>	<b>5</b>	<b>4</b>	<b>19 948</b>	<b>196 805</b>
<b>Finance Revenue / (cost)</b>	<b>151</b>	<b>73</b>	<b>33</b>	<b>59</b>	<b>315</b>	<b>(12)</b>	<b>75</b>	<b>(66)</b>	<b>313</b>
<b>Net Result</b>	<b>(36 921)</b>	<b>17 556</b>	<b>1 893</b>	<b>(11 402)</b>	<b>(28 874)</b>	<b>253</b>	<b>89</b>	<b>(2 087)</b>	<b>(24 442)</b>



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Segment reporting – Statement of financial performance 2021 (restated)

In thousands of CHF	General Secretariat	ITU-R	ITU-T	ITU-D	Total Regular Funds	New Building	Insurance	Total Extrabudgetary Funds	Total
<b>REVENUE</b>									
Assessed contributions	55 862	28 623	17 995	23 131	125 611	-	-	-	125 611
Extrabudgetary contributions	3	1	0	1	5	-	-	14 118	14 123
Publications	5	19 330	4	72	19 411	-	-	-	19 411
Cost recovery	-	11 240	320	-	11 560	-	-	-	11 560
Other revenue	273	349	49	108	780	5 310	-	294	6 384
<b>Total revenue</b>	<b>56 143</b>	<b>59 543</b>	<b>18 369</b>	<b>23 312</b>	<b>157 367</b>	<b>5 310</b>	<b>-</b>	<b>14 412</b>	<b>177 089</b>
<b>EXPENSES</b>									
Employee expenses	72 450	31 399	13 575	27 984	145 409	-	17	6 473	151 899
Mission expenses	38	107	21	119	285	-	-	158	443
Contractual services	7 850	996	1 070	3 722	13 639	1	-	7 623	21 262
Rental and maintenance of premises and equipment	1 774	16	7	48	1 845	-	-	2	1 847
Equipment and supplies	1 212	491	171	221	2 095	-	-	202	2 297
Depreciation	5 092	1 911	832	1 721	9 555	-	-	138	9 693
Shipping, telecommunication and services expenses	1 159	133	60	153	1 505	-	-	1	1 505
Auditing of accounts and inter-organizational contributions									
Other expenses	424	144	71	208	848	-	-	1 088	1 936
<b>Total expenses</b>	<b>90 001</b>	<b>35 197</b>	<b>15 807</b>	<b>34 175</b>	<b>175 180</b>	<b>1</b>	<b>17</b>	<b>15 684</b>	<b>190 882</b>
<b>Finance revenue / (cost)</b>	<b>366</b>	<b>167</b>	<b>76</b>	<b>160</b>	<b>768</b>	<b>11</b>	<b>141</b>	<b>(423)</b>	<b>497</b>
<b>Net Result</b>	<b>(33 492)</b>	<b>24 513</b>	<b>2 638</b>	<b>(10 703)</b>	<b>(17 045)</b>	<b>5 320</b>	<b>124</b>	<b>(1 695)</b>	<b>(13 296)</b>

## ITU ANNUAL FINANCIAL OPERATING REPORT AND FINANCIAL STATEMENTS 2022

**Note 25 Reconciliation between budgeted amounts and actual amounts**

The financial statements include:

- ITU regular budget;
- Other funds; and
- Extrabudgetary funds

The Union's budget and financial statements are accounted for differently. The 2022-2023 budget is established on a modified cash basis, with a number of specific items that are not dealt with on an accrual basis. Furthermore, the ITU budget deals solely with the Union's core activity and not with activities financed by extrabudgetary funds.

The Union's financial statements are drawn up on an accrual basis using a classification based on the nature of the expenses recorded in the statement of financial performance (see Statement II).

In order to reconcile statements II and V transactions are broken into two categories of differences - basis and entity differences.

Basis differences include, expenses that are not included in the budget of ITU or treated differently under IPSAS requirements. These expenses typically include changes to the provision of doubtful debts, recognition of inventories, capitalization of fixed assets, depreciation, exchange gains and losses, ASHI, FIPOI loan repayment and surplus and / or deficit on investments.

Entity differences typically refer to revenue and expenses that are outside of the approved ITU program Budget, i.e. extrabudgetary funds.

In the 2022 financial year, the budget was approved for CHF 162 million (resolution 1405). This budget was increased by CHF 1.6 million (total CHF 163.6 million) as a result of Secretary General's delegated authority under the council resolution 1405 and related financial regulations. This was a result of deferred activities from the previous financial period being approved for expenditure in 2022.

Description (CHF'000)	2022			
	Operating	Investing	Financing	Total
<b>Results on a comparable basis</b>	<b>(4 847)</b>			<b>(4 847)</b>
Changes in and use of provision for doubtful debts	2 776			2 776
Appropriation to Programme Budget from previous years	(2 490)			(2 490)
Capitalization of fixed assets		824		824
Recognition of inventories	(16)			(16)
Depreciation	(8 183)			(8 183)
Exchange-rate gains and losses	(243)			(243)
ASHI	(13 976)			(13 976)
Repayment of FIPOI loan not considered as expense			1 391	1 391
Other expenses	4 297			4 297
Sale of assets	24			24
<b>Total basis differences</b>	<b>(17 811)</b>	<b>824</b>	<b>1 391</b>	<b>(15 596)</b>
<b>Entity differences</b>	<b>(3 999)</b>			<b>(3 999)</b>
<b>Surplus/(Deficit) as shown in the statement of financial performance</b>	<b>(26 657)</b>	<b>824</b>	<b>1 391</b>	<b>(24 442)</b>

## ITU ANNUAL FINANCIAL OPERATING REPORT AND FINANCIAL STATEMENTS 2022

As noted in Statement V the revenue is CHF 157.2 million. This has resulted in a shortfall of revenue compared to budget of CHF 6.4 million. The majority of this shortfall (CHF 7.4 million) is due to the decrease in cost recovery revenue (mostly decrease in Satellite network fillings (SNF) and publications which is offset by deferred activities budgeted amounts for 2022. After several years during which interest rates were very low, the interest rate on short term deposits in US dollars has risen again which allow ITU to significantly increase their financial revenue by 340 per cent as compared with the approved budget in 2022.

For all sectors and departments, the foreseen shortfall in revenue in 2022, lead to the implementation of efficiency measures (strict management of the expenses, planning and review of all forecasts for staff, contractual services, travel, and other operating expenses).

### **Radiocommunication Sector (ITU-R)**

The Staff costs category represents most of the under implementation (approximately CHF 225,000) for the Radiocommunication Sector in 2022.

### **Telecommunication Standardization Sector (ITU-T)**

The total expenses of the Telecommunication Standardization Sector amounted to CHF 13.18 million in 2022, or 94.9 per cent of the budget of CHF 13.89 million.

Savings were made on all sections of the ITU-T budget (WTSA, TSAG, Study Groups, Activities and Programmes, Workshops and Bureau).

At the beginning of 2022, meetings were still held virtually, leading to savings on travel and interpretation expenses.

From mid-2022, due to budget concerns (a foreseen lack of revenue), many expenses were put on hold, which contributed to further savings on all categories of expenses.

### **Telecommunication Development Sector (ITU-D)**

The ITU-D budget in table below represents the approved budget as per Council Resolution 1405 (CHF 27.368 million) and the WTDC regular budget carried-forward in 2022 (CHF 1.056 million).

Total 2022 ITU-D Budget: CHF 28.424 million.

The Actual amount in table below represents:

ITU-D regular budget actual expenses for 2022 (CHF 27.803 million) are in line with the approved budget of CHF 28.424 million.

There is an underspend of CHF 621,000, mainly on contractual services category, due to a strict monitoring of expenses.

The following elements explain the shortfall:

- WTDC costs covered by the Host Country Agreement. The amount of CHF 603,000 is also shown in the line Revenue - Assessed contributions
- Expenses for Forensic Audit (CHF 486,000) not included in the budget (Resolution 1405)

ITU ANNUAL FINANCIAL OPERATING REPORT AND FINANCIAL STATEMENTS 2022

**General Secretariat**

Majority of the savings are coming from the Conferences and Publications Department thanks to a strict monitoring of the resources for the translation and text processing activities.

Other savings were made on maintenance expenses under the Facilities Management Division and on the contractual services category under the IS Department.

As other sectors and departments, the General Secretariat had to absorb the 5% vacancy rate, by delaying the recruitment of vacant posts.

The Budget expense amount for 2022 was CHF 163.6 million of which actual expense amounted to CHF 162 million. However, given the shortfall in revenue there was a deficit of CHF 4.8 million. This was financed by savings from Previous years fund (CHF 1.8 million) and the Reserve account CHF 3.0 million). This situation is a concern as ITU is spending more than it has available and is using reserve accounts to balance the budget. Mitigation measures have been taken to ensure that going forward ITU secretariat will balance its budget.

**Note 26 Related-party disclosures**

The following entity is to be considered as a related party:

- the United Nations Joint Staff Pension Fund (UNJSPF).

The ITU Council comprises 48 Member States, without specific individuals being designated.

The Union is managed by the Secretary-General, as executive head, assisted in that task by the Deputy Secretary-General and the Directors of the Union’s three sectors (high-ranking officials sitting on the Coordination Committee): Radiocommunication Sector (ITU-R), Telecommunication Standardization Sector (ITU-T) and Telecommunication Development Sector (ITU-D).

The total remuneration paid to key management officials comprises net salary, post adjustment, allowances such as representation expenses, installation grant, repatriation grant, accrued leave, rental subsidy and removal of personal effects.

Key management officials are also entitled to the same benefits as staff in the Professional category, namely:

- home leave;
- education grant;
- post-employment benefits.

All the payments made in 2022 to/from the Key management people have been included in the table below.

Key management officials are ordinary participants in the United Nations Joint Staff Pension Fund.

In thousands of CHF	31 December 2022		31 December 2021	
	Number of persons	Total remuneration	Number of persons	Total remuneration
5 elected officials	5	2,623	5	2,222

## ITU ANNUAL FINANCIAL OPERATING REPORT AND FINANCIAL STATEMENTS 2022

Included in the payments made of CHF 2.623 million to the elected officials in 2022, an amount of CHF 3,528 was deducted from ex-gratia payments for the purchase by former elected officials of their IT equipment upon retirement.

### **Note 27** Future commitments

By joining the UNSMIS as of 1 January 2020, ITU signed a contract in which the payment of an additional annual contribution is required to be paid until 2032. At 31 December 2022, the remaining additional contributions total USD 17.5 million.

### **Note 28** Ex-Gratia payments

In 2022, the Union paid to the former Elected Official of TSB (Mr. Lee) an amount of CHF 51,220, to the former Deputy Secretary-General (Mr Johnson) an amount of CHF 76,830 and to the former Secretary-General (Mr Zhao) an amount of CHF 83,701 for services rendered to the Union during their respective mandates. These payments which at the time were considered to be ex-gratia have been included in the total shown in payments made to the related parties in Note 26. The Secretary General has highlighted this issue in the Statement on Internal Control.

### **Note 29** Events after the reporting date

ITU's reporting date is 31 December 2022 and these Financial Statements were authorized for issue on the same date as the External Auditor's opinion.

In March 2023, it was announced that UBS bank would acquire Credit Suisse bank. Credit Suisse is not the main bank for ITU, but it had some short-term deposits with them. However, considering the Swiss National Bank guarantee, ITU is not expecting any loss.

On the basis that the payments granted for elected officials have been determined not to meet the definition of ex-gratia, the Secretary-General has made the decision to abolish the practice of such payments being granted to elected officials at the time of their departure for service to the Union.

As of 31 December 2023, the total amount of unrecoverable costs already spent on the new building project was CHF 20 780 691. If the project does not go ahead an additional amount of CHF 7 686 288 would need to be incurred in order to settle all claims and contractual obligations and retentions. This was confirmed during the Council Work Group held in October 2023 that there are no additional penalties in association with the building project.

### **Note 30** Change in accounting estimates and errors

During 2022, ITU changed its accounting policies in relation to the recognition of the long-term loan received from FIPOI and for the contributions received for sponsorship agreements. During the year ITU also discovered that certain errors were included in the 2021 proved financial statements.

In accordance with IPSAS 3, and as a result of the above, the 2021 financial statements have been restated to ensure comparability.

The effects of the changes in accounting policies and of the corrections of prior period errors are described here below. All amounts noted below are in CHF '000.

## ITU ANNUAL FINANCIAL OPERATING REPORT AND FINANCIAL STATEMENTS 2022

Statement of Financial Position for the year ended 31 December 2021 and 2020  
(restated)

Description	Notes	31 December 2021	Restatements	31 December 2021 (restated)	31 December 2020	Restatements	31 December 2020 (restated)
<b>ASSETS</b>							
<b>Current assets</b>							
Cash and cash equivalents	Note 30.7	130'392	73'419	203'811	99'406	35'924	135'330
Investments	Note 30.7 and 30.8	95'033	(73'758)	21'275	95'516	(36'263)	59'253
Receivables - exchange transactions		10'989	-	10'989	8'481	-	8'481
Receivables - non-exchange transactor	Note 30.2 and 30.3	76'931	(68'429)	8'502	89'306	(81'910)	7'396
Inventories		467	-	467	459	-	459
Other receivables	Note 30.6, 30.7, 30.9, 30.10, 30.12, 30.13, 30.18 and 30.24	7'118	(793)	6'325	9'439	(1'326)	8'113
<b>Total current assets</b>		<b>320'930</b>	<b>(69'560)</b>	<b>251'370</b>	<b>302'607</b>	<b>(83'575)</b>	<b>219'032</b>
<b>Non-current assets</b>							
Property, plant and equipment		71'671	-	71'671	78'040	-	78'040
Intangible assets		792	-	792	1'443	-	1'443
Assets under construction		13'732	-	13'732	9'443	-	9'443
UNSMIS	Note 30.4	16'267	(16'267)	-	17'441	(17'441)	-
<b>Total non-current assets</b>		<b>102'462</b>	<b>(16'267)</b>	<b>86'195</b>	<b>106'367</b>	<b>(17'441)</b>	<b>88'926</b>
<b>Total assets</b>		<b>423'392</b>	<b>(85'827)</b>	<b>337'565</b>	<b>408'974</b>	<b>(101'016)</b>	<b>307'958</b>
<b>LIABILITIES</b>							
<b>Current liabilities</b>							
Payables	Note 30.13 and 30.19	6'796	660	7'456	6'015	(328)	5'687
Contributions received in advance	Note 30.3	-	53'572	53'572	-	43'795	43'795
Deferred revenue	Note 30.2 and 30.3	132'416	(122'001)	10'415	132'566	(122'705)	9'861
Borrowings and financial debts		1'391	-	1'391	1'391	-	1'391
Employee benefits		424	-	424	10	-	10
Provisions		1'372	-	1'372	1'105	-	1'105
Other debts	Note 30.12	4'804	158	4'962	4'999	-	4'999
UNSMIS	Note 30.4	1'538	(1'538)	-	1'496	(1'496)	-
<b>Total current liabilities</b>		<b>148'741</b>	<b>(69'149)</b>	<b>79'592</b>	<b>147'582</b>	<b>(80'734)</b>	<b>66'848</b>
<b>Non-current liabilities</b>							
Borrowings		51'991	-	51'991	45'718	-	45'718
Employee benefits		570'083	-	570'083	656'021	-	656'021
Allocated third-party funds	Note 30.11 and 30.15	46'336	(2'866)	43'470	38'430	(2'870)	35'560
Third-party funds in process of allocation	Note 30.18	3'684	(468)	3'216	4'353	(468)	3'885
UNSMIS	Note 30.4	16'267	(16'267)	-	17'441	(17'441)	-
<b>Total non-current liabilities</b>		<b>688'361</b>	<b>(19'602)</b>	<b>668'759</b>	<b>761'963</b>	<b>(20'779)</b>	<b>741'184</b>
<b>Total Liabilities</b>		<b>837'102</b>	<b>(88'751)</b>	<b>748'351</b>	<b>909'545</b>	<b>(101'513)</b>	<b>808'032</b>
<b>Total net assets</b>		<b>(413'710)</b>	<b>2'924</b>	<b>(410'786)</b>	<b>(500'571)</b>	<b>497</b>	<b>(500'074)</b>
ITU reserve account	Note 30.4, 30.14, and 30.19	27'508	1'879	29'387	25'802	3'542	29'344
Other reserves & funds	Note 30.5, 30.14, 30.15, 30.16, 30.17, 30.20 and 30.22	61'553	6'510	68'063	61'225	(1'829)	59'396
Extrabudgetary funds	Note 30.10, 30.14 and 30.22	8'805	7'816	16'621	10'383	8'008	18'391
ASHI actuarial gains/(losses)	Note 30.26	(162'135)	(1'940)	(164'075)	(263'101)	(4'473)	(267'574)
Accumulated Surpluses/(deficit)	Note 30.1, 30.2, 30.4, 30.6, 30.8, 30.11, 30.15, 30.16, 30.17, 30.20, 30.23, 30.25, and 30.26	(349'441)	(11'341)	(360'782)	(334'880)	(4'751)	(339'631)
<b>Reserves and fund balances</b>		<b>(413'710)</b>	<b>2'924</b>	<b>(410'786)</b>	<b>(500'571)</b>	<b>497</b>	<b>(500'074)</b>

## ITU ANNUAL FINANCIAL OPERATING REPORT AND FINANCIAL STATEMENTS 2022

## Statement of Financial Performance for the year ended 31 December 2021, (restated)

Description	Notes	31 December 2021	Restatements	31 December 2021 (restated)
<b>REVENUE</b>				
Assessed contributions		125,611	-	125,611
Extra-budgetary Contributions	Note 30.12, 30.23	13,581	542	14,123
Other operating revenue	Note 30.2, 30.14, and 30.15	32,774	4,581	37,355
In-kind contributions revenue	Note 30.1	798	(798)	-
<b>Total revenue</b>		<b>172,764</b>	<b>4,325</b>	<b>177,089</b>
<b>EXPENSES</b>				
Employee expenses	Note 30.4	150,417	1,482	151,899
Mission expenses		443	-	443
Contractual services	Note 30.14	21,038	224	21,262
Rental and maintenance of premises and equipment		1,847	-	1,847
Equipment and supplies		2,297	-	2,297
Depreciation and impairment losses		9,693	-	9,693
Shipping, telecommunications and service expenses		1,505	-	1,505
Other expenses	Note 30.4, 30.9, 30.10, 30.12, 30.14	2,937	(1,001)	1,936
In-kind contributions expense	Note 30.1	798	(798)	-
<b>Total expenses</b>		<b>190,975</b>	<b>(93)</b>	<b>190,882</b>
Finance revenue / (cost)	Note 30.5, 30.21, 30.26	3,353	(2,856)	497
<b>Surplus/(deficit) for the period</b>		<b>(14,858)</b>	<b>1,562</b>	<b>(13,296)</b>

## Change in accounting policies

### 1. FIPOI Loan

Since 2010, the FIPOI loan was recognized in the financial situation at its nominal value corresponding to the amount committed to be repaid to FIPOI over the term. In 2022, ITU decided to revise the accounting policy and to present the loan at its fair value to provide more valuable information to the reader of the financial statements. As a result, the table below summarizes the adjustment to record the loan amount to its fair value at the end of the year.

	2021		
	Balance at 31.12.2021	Increase / Decrease	2021 restated
Accumulated Surpluses	46	(46)	0
Short term debt	(46)	46	(0)
In-kind contributions	(798)	798	-
In-kind expense	798	(798)	-

### 2. Sponsorship agreement

Contributions received for sponsorship agreements was previously recognised as revenues upon receipt of the funds from the sponsoring party. ITU decided to change the accounting policy and to recognise revenues from sponsorship agreements at the time of the signature of a binding agreement from the sponsor thus allowing a better financial representation of ongoing agreements and related underlying projects. Because of the change in accounting policy ITU recognised an increase in operating revenues for CHF 5.310 million, an increase in accounts receivables for CHF 3.790 million and an increase in deferred revenues for CHF 3.790 million in 2021.

Account	2021		
	Balance at 31.12.2021	Increase / Decrease	2021 restated
Other operating revenue - other		(5,310)	(5,310)
Receivables - non exchange		3,790	3,790
Deferred revenue		(790)	(790)
Accumulated surpluses		2,310	2,310

## Correction of prior period errors

### 3. Assessed contributions

It was discovered that in 2020 and 2021 ITU recognized certain assessed contributions receivables and deferred revenue before the time when they should have fallen due. A detailed analysis was performed and as a result, accounts receivable, deferred revenue and contributions received in advance have been restated to reflect ITU position at the end of each period, as in accordance with IPSAS requirements.



## ITU ANNUAL FINANCIAL OPERATING REPORT AND FINANCIAL STATEMENTS 2022

Accounts	2020			2021		
	Balance as at 31 December 2020	Increase / Decrease	2020 restated	December 2021	Increase / Decrease	2021 restated
Receivables - non exchange	89,306	(81,910)	7,396	76,931	(72,219)	4,712
Deferred revenue	(132,566)	122,705	(9,861)	(132,416)	122,791	(9,625)
Contributions in advance	-	(43,795)	(43,795)	-	(53,572)	(53,572)

#### 4. UNSMIS entrance fee

Effective on 1 January 2020, ITU signed a convention with ONUG related to Collective Assurance scheme for employee's sickness and accidents. As part of the agreement, ITU has payment scheduled from 2020 until the end of the convention in 2032. Reference is made to the "Convention UIT-ONUG on UNSMIS".

At the inception of the contract ITU paid an amount of CHF 20 million that was recognized as both an asset and a liability. In addition, ITU erroneously recognized during 2020 and 2021, the installments due for 2021 and 2022 respectively for CHF 1.493 million and CHF 1.539 million.

The entries below are related to the reversal of the outstanding balance of the asset and liability recognized at inception and the recognition of the 2020 and 2021 installments in the appropriate period.

Accounts	2020			2021		
	Balance as at 31.12.2020	Increase / Decrease	2020 restated	Balance at 31.12.2021	Increase / Decrease	2021 restated
Other Assets	17,441	(17,441)	-	16,267	(16,267)	-
Other LT debts	(17,441)	17,441	-	(16,267)	16,267	-
Other ST debts	(1,493)	1,493	-	-	-	-
Reserve Accounts	-	(1,493)	(1,493)	-	(58)	(58)
Accumulated surplus	-	-	-	-	58	58
Health and accident insurance	-	-	-	-	1,482	1,482
Other Expense	-	-	-	1,539	(1,539)	-

#### 5. CMIP Revaluations

During 2020 and 2021 ITU revalued this reserve account incorrectly as there was no underlying assets or transactions against this account. As a consequence, 2020 and 2021 revaluation and related expense has been reversed.

Accounts	2020			Accounts	2021		
	Balance at 31.12.2020	Increase / Decrease	2020 restated		Balance at 31.12.2021	Increase / Decrease	2021 restated
Finance expense	486	(486)	-	Finance expense	190	(190)	-
Other Reserves	-	486	486	Other Reserves	-	190	190

#### 6. UNDP - Revaluations

In 2020 and 2021, all items in foreign currencies on the reconciliation account between UNDP and ITU have been revaluated. However, these items had been settled and therefore not subject to revaluations.

## ITU ANNUAL FINANCIAL OPERATING REPORT AND FINANCIAL STATEMENTS 2022

Accounts	2020			2021			restated
	Balance as at 31.12.2020	Increase / Decrease	2020 restated	Balance at 31.12.2021	Increase / Decrease	2021	
Other receivables	466	(411)	55	154	(154)	-	-
Accumulated surpluses		411	411		154	154	154

## 7. Cash and cash equivalents and investments

In accordance with IPSAS 2 paragraph 9, investments with a maturity date of three months or less, qualify as a cash equivalent. ITU had however classified all investments, regardless of their maturity, under the investments caption in 2020 and 2021. As a consequence, ITU performed a detailed analysis and all investments with a maturity date of three months or less have been reclassified as cash equivalents at the end of 2020 and 2021.

Accounts	2020			2021		
	Balance as at 31.12.2020	Increase / Decrease	2020 restated	Balance at 31.12.2021	Increase / Decrease	2021 restated
Cash and cash equivalent	99,406	35,924	135,330	130,392	73,419	203,811
Investments	95,177	(35,924)	59,253	94,694	(73,419)	21,275

## 8. Investments in foreign currency

Certain investments in foreign currency were not adjusted at the end of 2020 for the effect of the foreign currency fluctuation. As a consequence, a decrease of CHF 339 was recorded at the end of 2020 to reflect the foreign currency loss of the period on such investments. No adjustment was needed in 2021.

Accounts	2020		
	Balance as at 31.12.2020	Increase / Decrease	2020 restated
Investment	550	(339)	211
Accumulated surpluses		339	339

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**9. US tax**

All US citizens have the obligation of pay income taxes to the US Tax Administration on their income generated worldwide. ITU pays advances to entitled US staff to pay their taxes and subsequently receives refunds from the US tax Administration. However, as for all the UN organisation, the basis used by the US Tax Administration for the refund it is different from the basis used for calculating the advances paid by ITU, therefore generating a difference for ITU. Such difference had been recorded as receivable towards the US Tax Administration which ITU is unable to recover. As a consequence, an impairment of the outstanding receivable was recorded at the end of 2020 and 2021.

Accounts	2020			2021		
	Balance as at 31.12.2020	Increase / Decrease	2020 restated	Balance at 31.12.2021	Increase / Decrease	2021 restated
Impairment expenses	-	527	527	-	92	92
Other receivables	527	(527)	-	92	(92)	-

**10. Telecom activities**

Due to COVID-19 restrictions the event expected to be held by ITU in 2021 was cancelled. ITU however recognised the secretariat expenses incurred in 2021 as advances, included in other receivables, without charging the income statement of the period. As a consequence, a correction was recorded to recognise 2021 secretariat expenses in the appropriate period.

Accounts	2020			2021		
	Balance as at 31.12.2020	Increase / Decrease	2020 restated	Balance as at 31.12.2021	Increase / Decrease	2021 restated
Other expenses	-	-	-	-	286	286
Other receivables	-	-	-	795	(286)	509

**11. Revaluations**

In 2020 ITU recognized the cumulative effect of prior years foreign currency revaluations of EUR and USD extra budgetary funds. Thereafter, revaluations for 2021 and 2022 are recognized yearly.

Accounts	2020			2021		
	Balance at 31.12.2020	Increase / Decrease	2020 restated	Balance at 31.12.2021	Increase / Decrease	2021 restated
Finance expense	-	0	0	-	-	-
Allocated third party funds	-	142	142	-	-	-
Accumulated surpluses	-	(142)	(142)	-	-	-

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**12. Refund of balances – Fraudulent Activities**

Following an investigation, it was finally discovered that a staff member of an ITU Regional Office perpetrated a fraud by charging two projects funded by NBTC, with personal and other unrelated expenses.

In 2021 ITU refunded the donor and recognized an asset with the intent to recover the undue from the perpetrator.

Accounts	Balance at 31.12.2021	2021	
		Increase / Decrease	2021 restated
Voluntary Revenue	-	(158)	(158)
Other Expenses	-	158	158
Other receivables	-	158	158
Other debts	-	(158)	(158)

**13. Debit balances reclassification**

Further to credit notes received and advance payments made, certain payable accounts presented a net debit balance at the end of the year 2021. As a consequence, the net debit balance was properly reclassified as other receivables.

This restatement does not have any impact on the financial performance.

Accounts	Balance at 31.12.2021	2021	
		Increase / Decrease	2021 restated
Payables	988	(988)	-
Other receivables	-	988	988

**14. Financing of events**

An amount of CHF 1,581 million was budgeted for certain expenses to be incurred in 2021. The underlying events, however, were postponed and took place in 2022.

ITU erroneously recognised contractual services expenses in 2021 for the budgeted amounts of CHF 0.227 million. As a consequence, these transactions totalling CHF 1.354 million have been reversed and further recognised when incurred, in 2022.

Accounts	2020			Accounts	2021		
	Balance at 31.12.2021	Increase / Decrease	2021 restated		Balance at 31.12.2021	Increase / Decrease	2021 restated
Allocated capital		1,581	1,581	Other operating revenue	1,581	(1,581)	-
Accumulated deficit	-	(1,581)	(1,581)	Accumulated deficit	-	1,354	(1,354)
				Other expenses	(227)	227	(227)

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**15. ICT Museum and POPOV donations**

ITU erroneously recorded revenue for sponsorship for the ICT museum and Popov in 2020 and 2021. ICT museum and Popov donation have been reversed.

Accounts	balance at 31.12.2020	2020 Increase / Decrease	2020 restated	balance at 01.01.2021	2021 Increase / Decrease	2021 restated
1/3 parties funds	(2,728)	2,728	-	-	-	-
Accumulated surpluses	-	(2,728)	(2,728)		-	-
Other Operating Revenue				(2,310)	2,310	-
Other Reserves				(2,310)	-	(2,310)

**16. Offsetting of expenses**

The below mentioned entry is related to the offsetting of an expenses for ITU's usual operation accounting. This amount should not have been offset but recognized as a revenue and expense.

Account	2021 Increase / Decrease	2021 restated
Other reserves	2	2
Accumulated surpluses	(2)	(2)

**17. Third party closed accounts**

In 2021 ITU discovered outstanding balances remaining under 3rd party closed accounts for an amount of CHF 35 that should have been closed at completion of the related projects.

As a consequence, ITU reversed such outstanding balances to accumulated surplus.

Account	Balance at 31.12.2021	2021 Increase / Decrease	2021 restated
Other reserves	35	(35)	-
Accumulated surpluses	(35)	35	-

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**18. Historical losses**

In 2021 ITU recognised the net benefit of exchange gains and losses on projects by debiting accounts receivables, instead of the related project accounts.

As a consequence, such positive net benefit has been reclassified to the project accounts.

Accounts	Balance as at 31.12.2020	2020 Increase / Decrease	2020 restated
other receivables	468	(468)	-
1/3 parties funds - closed	-	468	(468)

**19. Pension**

In 2020 it was discovered that the pension liability that ITU had accrued over the years, was in fact not due, after the decision of the UNSPF and the earlier death of the pensioner.

As a result, in 2020 ITU reversed outstanding liability and transferred the net benefit to reserves.

Account	Blance at 31.12.2020	2020 Increase / Decrease	Total 2020
Suppliers and other creditors	(329)	329	-
Reserve account		(329)	(329)

**20. Unrealized foreign exchange gain / loss**

It was discovered that the unrealized foreign exchange gains and losses recognised by ITU for the period from 2010 to 2020 were calculated using erroneous foreign exchange rates.

As a consequence, unrealized foreign exchange gains and losses have been recalculated using the appropriate foreign exchange rates for each period.

Accounts	Balance as at 31.12.2020	2020 Increase / Decrease	2020 restated
Finance expenses	2,007	(2,007)	-
Accumulated surpluses		2,923	2,923
Other reserves		(916)	(916)

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**21. Realized and unrealized foreign exchange gains and losses**

In 2021 ITU recorded unrealized foreign exchange gains and losses on settled transactions that should have been recognised as realized foreign exchanges gains and losses. As a consequence, realized exchange gains and losses have been reclassified in the 2021 statement of financial performance.

Accounts	Balance as at 31.12.2021	2021	
		Increase / Decrease	2021 restated
Unrealised exchange -rate gains and losses	(333)	333	-
Realised exchange -rate gains and losses	-	(333)	(333)

**22. Extrabudgetary funds**

In 2020 ITU discovered that certain funds were incorrectly classified as extrabudgetary instead of being classified as other reserves.

As a consequence, ITU recorded a reclassification from extrabudgetary funds to other reserves.

Accounts	Balance as at 31.12.2020	2020	
		Increase / Decrease	2020 restated
Other reserves	-	8,008	8,008
Extrabudgetary funds		(8,008)	(8,008)

**23. Internal fund transfer**

In 2021 ITU discovered that certain revenues were incorrectly allocated to extrabudgetary activities. As a consequence, ITU recorded a reversal of the previous erroneous journal entries.

Accounts	Balance at 31.12.2021	2021	
		Increase / Decrease	2021 restated
Revenue - Voluntary		(385)	(385)
Accumulated surpluses		385	385

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**24. Voluntary separation program**

In 2019 and 2020 ITU ran a voluntary separation program and paid certain staff. Overall payments were lower than the amount originally accrued for, but the ITU recognised such benefit only in 2021. As a consequence, such benefit was recognised in the appropriate period.

Account	2020 restated	2021 restated
Other receivables	81	(81)
Reserve Account	(81)	81

**25. Reserve for the new building fund**

ITU used to present a negative reserve balance under the caption “New building fund” to separate such item from other reserves and accumulated deficit.

In 2022 ITU decided to reverse such presentation and reclassify the outstanding balance in accumulated deficit.

Accounts	Balance at 31.12.2021	2021	
		Increase / Decrease	2021 restated
New bulding fund	(14,278)	14,278	-
Accumulated deficit	-	(14,278)	14,278

**26. Correction of ASHI reserve and reversal of ASHI financial expense**

ITU erroneously recorded the reversal of the recognition of the 2021 finance revenue related to the ASHI liability directly to the accumulated surplus, instead of reversing through the statement of financial performance. In addition, ITU erroneously recorded the reserve for ASHI as compared to the independent evaluation received from the independent expert.

The journal entries below represent the corrections recorded to properly reflect the ASHI reserve balance, the financial and the Accumulated deficit impacts.

Accounts	2020		2020 restated
	Balance at 31.12.2020	Increase / Decrease	
Finance expense			
ASHI reserve	263,101	4,473	267,574
Accumulated deficit	-	(4,473)	4,473

Accounts	2021		2021 restated
	Balance at 31.12.2021	Increase / Decrease	
Finance expense	(2,533)	2,533	-
ASHI reserve	162,135	1,940	164,075
Accumulated deficit	-	(4,473)	4,473



ANNEX A

DRAFT RESOLUTION

**Financial operating report for the 2022 financial year**

The ITU Council,

*in view of*

[No. 101](#) of the Convention of the International Telecommunication Union and [Article 30](#) of the Financial Regulations of the Union,

*having examined*

the financial operating report for the 2022 financial year, covering the audited accounts for the 2022 financial year of the budget of the Union, and the audited 2021 accounts for technical cooperation projects, voluntary contributions and the ITU Staff Superannuation and Benevolent Funds,

*having noted*

that the External Auditor's reports are set out in Document [C24/41](#),

*resolves*

to approve the financial operating report for the 2022 financial year (Document [C24/40](#)), covering the audited accounts of the Union, and the 2022 audited accounts of extrabudgetary funds, ITU Staff Superannuation and Benevolent Funds.