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| **Council 2017Geneva, 15 – 25 May 2017** |  |
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| **Agenda item: ADM 10** | **Document C17/41-E** |
| **8 May 2017** |
| **Original: English** |
| **Report by the Secretary-General** |
| EXTERNAL AUDIT OF THE UNION'S ACCOUNTS on ITU TELECOM WORLD 2016 |

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| **Summary**The External Auditor's report covers the accounts for the ITU TELECOM World 2016 exhibition.**Action required**The Council is invited to examine the External Auditor's report on the 2016 accounts and to **approve** the accounts as audited.\_\_\_\_\_\_\_\_\_\_\_\_**References**[*Financial Regulations (2010 Edition)*](http://www.itu.int/council/finregs/Regl_Fin_10e.pdf)*: Article 28 and additional terms of reference* |


Corte dei conti

REPORT OF THE EXTERNAL AUDITOR

Audit of ITU TELECOM WORLD 2016
5 May 2017

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# SUMMARY OF THE AUDIT

1. According to Resolution 11 (Busan 2014), resolves no. 6, “the audit of ITU Telecom accounts shall be carried out by the External Auditor of the Union”.
2. This report covers the results of our audit of the profit and loss account for the ITU Telecom World 2016 event, organized in Bangkok (14-17 November 2016). This review is not to be considered as an audit of the financial statements drawn up under International Public Sector Accounting Standards (IPSAS), leading to an audit opinion. Its sole purpose is to inform the ITU Council that transactions with respect of this event have been correctly handled in the accounts.
3. Our audit of ITU Telecom World 2016 ascertained that the accounts submitted to us were accurate and that entries relating to the event had been correctly posted.
4. The event was organized and managed in accordance with Resolution 11 (Busan 2014), which, Resolves 4 provides that “each ITU TELECOM event shall be financially viable and shall have no negative impact on the ITU Budget on the basis of the existing cost – allocation system as determined by the Council”.
5. ITU Telecom World 2016 showed a positive event result at 31 December 2016 amounting to 927,193.72 CHF, as shown in paragraph 21 which is significantly higher than the budget forecast of 165,000 CHF.

## Legal Framework and scope of the audit

1. The rules applicable to world and regional telecommunication exhibitions and forums and similar events organized by the Union are set out in Article 19 of the ITU Financial Regulations and Financial Rules. Specific features are also laid down in paragraph 4 of Resolution 11 and in the TELECOM Financial Rules and Procedures, which entered into force on 13 March 1998 and subsequently modified.
2. Resolution 11 in Busan 2014 version includes instructions for the Secretary-General that have also been duly considered in this audit.
3. This report refers to the accounts of the ITU Telecom World 2016, for the period from 1 January 2016 to 31 December 2016. These accounts reflect the expenses and revenue for this event and provide additional information for the ITU Council. They are not to be considered as financial statements drawn up under IPSAS, although ITU has been applying the IPSAS standards since 1 January 2010.
4. Following the shift to IPSAS, ITU Telecom World accounts are henceforth closed no later than the end of the financial year when the event is held, in order to comply with the accrual principle. Thus, the accounts for ITU Telecom World 2016 were closed on 31 December 2016.
5. This audit report is not accompanied by an audit opinion. An audit opinion is only to be issued with respect to the consolidated financial statements of the Union.
6. We carried out our audit in accordance with the International Organization of Supreme Audit Institution (INTOSAI) Fundamental Principles of Auditing, and the additional terms of reference forming an integral part of the Union's Financial Regulations.
7. We planned the working activities according to our audit strategy, so as to obtain a reasonable assurance that there is no material misstatement.
8. We did not perform a field audit on site, but collected evidence from documentation supplied by management and from independent sources, such as press reports, digital images and videos. We already had an adequate knowledge of the venue, thanks to our previous visit during ITU Telecom World 2013 in Bangkok.
9. In order to evaluate the compliance with rules, resolutions, recommendations and best practices, we also collected data about the participants which were referred to in the analysis presented by ITU Telecom Management.
10. To carry out our evaluation, we considered not only financial results, but also appropriate Key Performance Indicators (KPI’s).
11. We verified that the ITU Telecom World 2016 profit and loss sheet as at 31 December 2016 corresponded with the accounts submitted to us, testing on a sample basis that the entries relating to the event had been correctly made. The audit covered book-keeping, revenue and expenses and related results.
12. We discussed and clarified all the issues with the responsible officials during the audit. We have tested, on a sample basis, a number of transactions and relevant documentation and have obtained sufficient and reliable evidence in relation to the ITU Telecom World 2016 accounts.
13. On 20 of April 2017, we presented our draft Audit Report to the Financial Resources Management Department and ITU Telecom Secretariat. The Report includes areas requiring improvement, as well as recommendations and suggestions to be brought to the Council’s attention, in accordance with Article 19 of the ITU Financial Regulations and Financial Rules.
14. We were informed that no claim and proceedings had been formally brought against the Union within the framework of ITU Telecom World 2016; no case of fraud or presumed fraud was reported to us.

## Acknowledgements

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

# GENERAL FRAMEWORK AND KEY FIGURES

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

|  |  |  |  |
| --- | --- | --- | --- |
| WT16 | Budget (9/5/2016) | Actual | Variance actual/original budget (%) |
| Revenue | 9,147,500.00 | 8,847,389,64 | * 3.28
 |
| Expenses | 8,982,500.00 | 7,920,195.92 | * 11.83
 |
|  *Direct expenses* | *3,931,500.00* | *2,930,575.43* | * *25.46*
 |
|  *Core expenses* | *5,051,000.00* | *4,989,620.49* | * *1.22*
 |
| **Net result** | **165,000.00** | **927,193.72** |  + 461.93 |

(CHF)

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

## Exhibition Working Capital Fund

1. In accordance with Article 19 par. 4 of the ITU Financial Regulations, any surplus revenue or excess expenses resulting from world or regional exhibitions “shall be transferred to an Exhibition Working Capital Fund” (EWCF).
2. The positive result of ITU Telecom World 2016 led to an increase in the level of EWCF with the balance amounting to 10.1 MCHF as of 31.12.2016, which is the highest level in 6 years.
3. The level of EWCF for the last 6 years is shown below.

(kCHF)

1. The EWCF, therefore, is as today capable to allow itself the organization of an event, even transferring significant amounts to ICT Development Fund.
2. Since Resolution 11 (Busan 2014) in *resolves* 5 presents the need of “*positive revenues from ITU TELECOM events*” (Res. 11, 5.4), but also the “*principle of rotation between regions, and between Member States within regions to the extent possible*” (Res. 11, 5.5), a balance of the two elements has to be considered.
3. Furthermore, Resolution 11 *instructs* the Secretary-General “*to consider measures that will enable and assist Member States which are capable and willing to do so, particularly developing countries, to host and stage ITU TELECOM events*”.
4. We also noted that Resolution 11, R*esolves* 4, states “*that each ITU TELECOM event shall be financially viable and shall have no negative impact on the ITU budget on the basis of the existing cost-allocation system as determined by the Council*”. On this regard, in view of the sufficient level of EWCF and the principle of rotation, the possibility of holding ITU Telecom events in a developing country which may not necessarily lead to a significant positive event result may be considered.

Suggestion no. 1

We suggest to consider, given the present amount of the EWCF, new scenarios for a more binding compliance with the principle of rotation of venues (ref. to Resolution 11,5.5).

Comments by the Secretary-General:

All ITU Member States are invited to submit their candidature to host ITU Telecom and to present a proposal aligned with the Host Country obligations described in the Model Host Country Agreement as endorsed by Council 2016. In the evaluation process and selection, rotation will continue to be one of the key factors to be considered.

## Timing of due activities

1. Article 1, Part X, of the TELECOM Handbook of Financial Rules and Procedures states that “the Budgets for each Telecom exhibition, forum or other event shall be prepared, approved and signed by the Secretary-General not later than six months before the opening date of that event”. The budget for ITU Telecom World 2016, was approved on 9 May 2016, in compliance with the limit of six months before the opening of the event (14 November 2016).
2. The Host Country Agreement between the Government of Thailand and ITU was formally signed on 16 May 2016. However, the approval of the document by the Government of the Host Country was finalized earlier, on 26 April 2016. This allowed ITU to have all the necessary figures at the time of the preparation and approval of the budget. Therefore, no revised budget was needed.
3. In the Annex to this Host Country Agreement the parties defined the technical details and the level of services of the Host Country obligations related to the principal Agreement.

## Reporting on the event: linking general objectives of Resolution 11 (Busan 2014) with KPIs and results.

1. The Resolution 11 (Rev. Busan, 2014 resolves 2) states “that the Secretary-General is fully accountable for ITU Telecom World activities (including planning, organization and finance)”.
2. We have analysed the various parts of the process and, at the reporting stage, we have evaluated relevant reports which provide the Secretary-General with feedback of the results, with links and comparison between KPIs and results, in the framework of the general objectives as stated in Resolution 11, as well as cost-effectiveness of the event.
3. We acquired from ITU Telecom management the “Event Analysis” that has been carried out using internal resources and duly presented and explained to us on 12 April 2016.
4. We acknowledge the efforts in refining the KPIs and using them to guide the design and staging of ITU Telecom World events.

## Bidding process

1. Resolution 11 (Busan, 2014) *resolves* 5, also declares that “the Union, in its venue selection process for ITU Telecom events, shall ensure an open and transparent bidding process.
2. An official ITU Circular letter inviting countries to bid to host ITU Telecom World 2016 was sent on 24 February 2015 to ITU Member States. The deadline for submission of bids was 15 June 2015.
3. We were informed that there had been contacts with several countries that expressed interest in hosting the event but only one formal bid was finally received.
4. Despite the early start of the bidding procedure, negotiations to finalize the terms of the HC’s proposal took longer than expected and affected the possibility to advertise effectively the 2016 event during the 2015 event. We already presented a suggestion on this issue in our last year report on WT (see Sugg. 5/2015).

## Comparison of budget and actual results

1. No revision of the budget was adopted. However, we noted some significant difference between budgeted and actual figure, both in the breakdown and in the total amount. Some examples will be elaborated below under revenue and expenses.

# REVENUE

## General framework

1. Revenues totalled 8.8 MCHF and were lower than budgeted 9.1 MCHF, but globally higher than revenues from previous events (7.3 MCHF).
2. With reference to the composition of the revenue, the trend in the last 5 years showed an increasing role of the Host Countries (HC) and the share of their contribution in comparison with the total revenue increased from 23% in 2012, to 42% in 2015.
3. The HC lump sum contribution in WT16 of CHF 3.5M is the same amount as in WT13.  However, the lump sum for WT16 already included contribution for accommodation, daily subsistence allowance, air tickets and terminal allowance for ITU officials travelling to Bangkok for pre-event and Event missions as well as transport of ITU equipment for the Event.  For WT13, in addition to the lump sum of CHF 3.5M, the HC also made some financial contribution for ITU staff travel costs in the amount of CHF 454,276.70.  The HC normally provides audio-visual services in-kind.  However, for WT16, the HC preferred to save on its own organizational overheads by providing the additional funds for ITU (CHF 600K) to procure and manage these services directly.  Therefore, the value of the HC contribution in WT16 has been reduced compared with their contribution in WT13.
4. In the future, countries which may not necessarily be able to provide as much financial contribution as in previous events may be considered to host ITU Telecom events in line with Resolution 11 (Busan 2014) and as referred to in paragraph 28 above.).

### Sponsors

1. The revenue from sponsorship, excluding the Host Country contribution, targeted at 1.030 kCHF, reached the value of 1183 kCHF, with also a noticeable increase compared with last year (2015) value (883 kCHF), breaking the descending trend of previous 5 years, in which they went from the 2,654 kCHF in 2011 to the said lower level of 883 kCHF in 2015.
2. We registered a turnover of financial contributors and sponsors focused on quantity and quality more, with some relevant first time contributors.

 *Admission fees*

1. Revenue from sale of passes (with access to Forum and Exhibition throughout the event) substantially equalled (198 kCHF) the target (197.5 kCHF), that was more reasonable than the one of the previous edition (401,000 CHF).
2. Revenue from Exhibition admission fees amounted to3.8 kCHF, and higher than budgeted 2.5 kCHF.
3. It is worthwhile mentioning the continuous decreasing income from forum passes, from more than 1 Million CHF in 2011 and 2012, to the present amount of around 200 kCHF.

Suggestion no. 2

Although actual values are substantially in line with the budget, we noted the sharply decreasing trend in the revenue from admission fees, and therefore we suggest to explore alternative measures such as an increase of the number of paying attendees to the event.

Comments by the Secretary-General:

Efforts will continue to widely promote the event and encourage the purchase of access passes for the Forum and Exhibition - ensuring an attractive and relevant Forum programme, and carrying out a regular review of access pass options and rates that also align with local market prices. By way of example, for ITU Telecom World 2017 the 1-day Forum pass has been re-introduced and a new offering of an Executive pass that will provide networking opportunities with VIP participants.

### Meeting rooms

1. We acknowledge that, following our last year Report (Sugg. 5/2015), a reasonable budget forecast was made for meeting rooms renting revenues (43 kCHF) and that the actuals (68 kCHF) are higher than the target.
2. A line “Rental of Business Center”, unbudgeted, shows actual expenses for 3,554 CHF., while expenses for the set-up of meeting-rooms, budgeted for 3,000 CHF, had no actual value.

Recommendation no. 1

Since a clear and reliable comparison between revenue and expenses for each product is always needed, in budgeted and actual figures, we **recommend** to consider in future budgeting exercise to indicate as object of expense “meeting room rental/installation charges” in case of uncertainly as to whether there will be construction/set-up or business centre rental.

Comments by the Secretary-General:

For ITU Telecom World 2017, since there is no business centre to be rented at the venue, the budget line item indicates “Meeting room construction/set-up”.   Nevertheless, for future events when there is a possibility to either rent a business centre or construct/set-up a meeting room, “meeting room rental/installation charges” will be used as object of expense.

### Raw space

1. The data related to the sale of **raw space** show a result (1,494,975 CHF) slightly lower than the target (1,597,000), with an increase respect to the last year result (1,444.000 CHF). More than half of the Revenue of raw space rental (831.5 CHF) came from National Pavilions: they were in number of 11, but one of them represented almost ¼ of this kind of revenue.

### Turnkey

1. The **turnkey** product shows a far lower result compared with the budget. Revenue from turnkey solutions, budgeted to 1,174.5 kCHF amounts to actual 625.8 kCHF (plus 53.6 kCHF for a penalty for cancellation).
2. This result is shown, in terms of rented space, by the fact that the target of 1440 m2 was not achieved, with actually rented 914 m2.
3. On the other hand, lower expenses (1/3 of the forecast) for constructions and set-ups of turnkey stands brought positive margin of 500 kCHF.
4. We acknowledge that, for 2016 event, a budget line for **co-exhibitors** has duly added (as requested in our Suggestion 4/2015). The actual revenue equalled the budgeted (2.000 CHF).

## Forum

1. Actual revenues from the Forum (1,347.1 CHF) is higher than budgeted (1,107.5 kCHF), and represents a significant growth respect to the Forum revenue in 2015 (4,474 kCHF), reaching the level of previous editions (e.g. 1,125 kCHF in 2014).
2. The composition of Forum revenue shows 80% from sponsorship and contribution, and 15% from admission fees. A residual 5% is due to penalties for sponsor cancellation.
3. It has been noted that amongst these revenues there is an amount of 600 kCHF budgeted as financial contribution from the host country for the purpose of audio-visual services which are normally provided in-kind by the host country. See also paragraph 45.
4. The most noticeable difference is that the “sponsored or co-hosted sessions” gave a revenue 78% higher than budgeted. The reason lies on the higher number of sponsored sessions (10 instead of 5).
5. The coffee break sponsorship actually obtained three times the budgeted amount (30 kCHF instead of 10).
6. Admission fees for the Forum amounted to 198 kCHF, slightly more than budgeted (197 kCHF) and 6 % more than the amount of the same revenue in 2015 event. (186.kCHF).
7. The breakdown of types of passes budgeted and sold shows the following data:

|  |  |  |
| --- | --- | --- |
| ***Categories*** | ***Budgeted*** | ***Sold*** |
| Leaders | 10 | 18 |
| Forum plus | 65 | 73 |
| Forum | 87 | 66 |
| **TOTAL** | **162** | **157** |

1. Leaders’ passes resulted far more successful than predicted, while simple forum passes were largely lower than the target.
2. The data of sold forum passes has to be compared with the volume of access pass given for free, as part of agreements with Event Financial Contributors. Among the amount of 324 given free passes (to 35 EFCs), 182 have been actually used (56%).

*Leadership Programme*

1. Since in the previous edition of the event no actual revenue came from Leadership Programme, significant adjustments were asked in our last report.
2. We acknowledge the effort made by the Management and the results obtained, reaching the target for the Leaders Lunch (150.000 CHF) and adding a new product (namely, Leadership Summit) that allowed a revenue of a further sum of 100.000 CHF.

### Networking Programme

1. Higher revenues (+55%) and expenses (+313%) than budgeted were registered for this Programme.
2. A sponsorship cancellation occurred, and a penalty for 40 kCHF was put in the accounts. Since it was still outstanding at 31.12.2016, a provision is registered among Expenses of this item.

### Celebration activities

1. No revenue and no expenses were charged for Celebration activities..
2. We noted that a budget line was foreseen for such item, as a sponsorship for the dinner, for 90 kCHF, and no expense was budgeted, since it has been foreseen that the sponsor will organize and pay for the dinner.

### Award Sponsorship and Gala dinner

1. Awards for entrepreneurship initiatives has been sponsored at an amount representing one third of the targeted amount.
2. Although budgeted, the Gala dinner sponsorship remained unsold.

Suggestion no. 3

We suggest to further analyse the reasons for the lack of interest in the Award Gala Dinner sponsorship. See also Suggestion 8.

Comments by the Secretary-General:

For optimal scheduling of event activities, the Award ceremony for 2016 was moved to the afternoon of the last day of the event and followed by the Farewell Reception organized by the Host Country. The Award Gala Dinner was therefore cancelled. The Awards Gala Dinner sponsorship is therefore not foreseen for 2017 and alternative ideas for revenue generation associated with the Award are being tested and evaluated.

### Barters value

1. Value of barters was budgeted as 1.000 kCHF with the actuals slightly higher (1013K CHF).
2. Many services were offered by the counterpart over a period of several months, during which the change rate varied, as shown below, in the case of THB vs CHF:

**Variation of change rate THB vs CHF**

****

1. In compliance with our recommendation,, the currency exchange rate at the time of delivery of service in accordance with barter agreements was applied. The average of the currency exchange rates was used if one type of service was delivered at different times.
2. We acknowledge the efforts made and the enhancements for a better control of the services really given by barter partners.

## Outstanding revenues

1. At 31.12.2016 nine (9) debtors were registered, for an outstanding invoiced amount of 206,7 kCHF. Four of them paid after 31.12.2016 and therefore, the unpaid invoices have been provisioned for 92,4 kCHF.
2. A value of 23,1 kCHF for services not received partially or fully from barter partners was disclosed in accounts. A more detailed explanation about this was obtained in our audit activity.

Suggestion no. 4

We suggest to take note of the partners that appear to be less reliable for barter business, and to consider the exclusion of them in future events for the same purpose.

Comments by the Secretary-General:

This suggestion is already addressed for 2017 with the inclusion of an article in the barter agreements specifying that ITU reserves the right not to enter into any future agreements with the media partner should the entity default in its obligations towards ITU.

# EXPENSES

## Core Expenses

*Cost recovery*

1. A fixed amount of 1.5 MCHF for ITU cost recovery (part of core expense), which represented the salaries and remunerations of staff from other departments providing services to ITU Telecom World 2016, was indicated as an expense in the budget of the event.
2. As we already noted in past years, the amount of cost recovery (core expenses) was previously decided by the Secretary-General. A study was conducted on the fair amount of such cost recovery and sent for comments to the ITU Telecom World staff in October 2014.

*TLC Secretariat*

1. In accordance with the current working methodology, the ITU Telecom Secretariat costs are allocated to each ITU Telecom event in relation with the service time dedicated by the staff to it. The actual cost of ITU Telecom Secretariat (core expense) which was charged to ITU Telecom World 2016 amounts to 3,489.6 kCHF. Although it is slightly less than the budgeted amount, we note that the same figures for the previous event (WT15) represents 85% of the budget for this line item.

These charges were calculated based on the information conveyed by ITU Telecom management on the percentage of time that ITU Telecom staff dedicated to the event during 2015 and 2016. But while in previous event the percentage was estimated, for the year before the event and for the year of the event 40% and 60% respectively, from WT16 the percentages has been modified. In this transition stage, however, the accounts present a breakdown of TLC Secretariat Core expenses with a **40%** related to 2015 and **80%** related to 2016. Additional information has been provided by ITU i.e., if the 20%-80% will be applied in 2016, the Telecom Secretariat cost would have been lower by 493,025.04 CHF.

1. We note that such calculation of core expenses does not consider work time of TLC occasionally rendered to other ITU Services. For this reason among others, the core expenses calculated based on the estimated service time.
2. We have not enough evidence on how much the implementation of a time-tracking method could improve the reliability of the related figures. This improvement has then to be compared with the cost (in terms of time and financial resources) of such a method. We also noted that a time-tracking system has been abolished some years ago following the recommendation of the previous External Auditors.

Suggestion no. 5

We suggest to continue keeping track of service time rendered by Telecom staff for the event as well as for other ITU activities for better understanding of the services provided to other ITU departments.

**Comments by the Secretary-General**:

Efforts will continue to ensure a record is kept of service time rendered by staff on Telecom events as well as other ITU activities.

## Direct expenses

1. Direct expenses were 2,930.5 kCHF, far lower than the budgeted amount (3,930.6 kCHF). Expenses for Forum, in particular, showed an amount lower for a 43%. Moreover, expenses for Exhibitions were significantly lower than budget, but different considerations have to be presented to this regard.
2. In fact, higher variance is registered in direct expenses for services delivered for a lower volume than predicted. These are not to be considered savings. For instance, the negative variance of the expenses for construction and set-up of turkey solution packages (- 66%) is strictly related to the lower rental revenue.
3. Among savings, we noted good reduction of some expenses for staff travels and DSA. In our audit activity we got evidence of significant improvements in cooperation between offices of ITU, also at this regard.

## Telecom Media Services

1. The result for this item shows savings related to facilities offered by Host Country.

# KPI AND POST EVENT SURVEY

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

### Age issue

1. We got evidence of a growing attention to the age issue, also in the sense of specific attention in addressing to young people some qualified activities during the event.
2. As for the speakers, we are aware of the difficulty of combine the importance of the speaker and the youth of this person.

Suggestion no. 6

We therefore suggest to give importance on the need for young active event participants, in view of the generational renewal opportunities offered through increased participation of SMEs in the TLC sector.

Comments by the Secretary-General:

The ITU Telecom World event continues with the reform instigated in 2015, to move towards becoming the international platform providing services for ICT SMEs.   The number of products and services targeted at the SME community therefore continues to be developed and promoted.  For 2017, in addition to low cost exhibition solutions for SMEs and the Awards Programme, a special SME Programme, offering business matchmaking and other opportunities, will be implemented.  Furthermore, in collaboration with Host Countries, all efforts will continue to organize and promote relevant sessions on the last day of the event aimed at national students and young entrepreneurs.  The success of these programmes and the impact on the age demographic of participants will be measured and evaluated.

### Gender issue

1. Gender distribution shows a good results for participants (F/M = 37/63, it was 25/75 in 2015 and in the target for 2016), but not for speakers (15/85).

Suggestion no. 7

We suggest to enhance the efforts for a more balanced composition of each category of participants, particularly the ones with more visibility, such as speakers.

Comments by the Secretary-General:

Efforts will be increased to achieve a more balanced composition of speakers and other categories of participant, with specific attention to gender distribution.

### Less interest in lunches/dinners

1. The data collected ln KPIs confirm the trend of low interest in networking or celebration opportunities related to meals. Data about Leaders Lunch show 54 attendees respect to 250 targeted (104 in 2014, 93 in 2015). Adding to this also the cancellation of Gala Dinner. Enough evidence of this trend is given.

Suggestion no. 8

We suggest to reduce the expectation of participation for lunches and dinner organized for high level participants.

Comments by the Secretary-General:

Further attention will be given to estimating the attendance for lunches and dinners targeting VIPs at ITU Telecom World 2017, and as per past practice the results will continue to be monitored and evaluated. Statistics indicate that attendance is significantly affected by timing and other activities taking place in parallel and this will be factored in.

## Global dimension

1. Participants from 128 countries were registered, less than the targeted 135, but more than the 116 registered in 2015.
2. The Regional breakdown shows an unbalanced distribution of participants, with an 87% of provenience from Asia-Pacific. This could endanger the global dimension of the event.
3. Furthermore, we have to recall here Suggestion n.1, above presented, about a better fulfilment of the global dimension, the rotation of the venues should be enhanced. This issue remains unsolved.

# FOLLOW UP TO OUR RECOMMENDATIONS AND SUGGESTIONS

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

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

**Recommendations**

|  | **Recommendation madeby External Auditor****(Corte dei conti)** | **Comments received fromthe Secretary-General at the time of issuance of the External Auditor’s Report** | **Status asreported by ITU Management** | **Status on actions taken by Management as evaluated by Italian Corte dei conti** |
| --- | --- | --- | --- | --- |
| **Rec. 1****2015**  | **Barters value in other currencies**.Although the impact of currency exchange gains or losses may not be material for this event, we recommend to consider the exchange rate at the moment of the delivery of service in accordance with the barter agreement, when significant variations and a wide time range are involved, in order to have a fair representation of the results**.** | The currency exchange rate at the time of delivery of service in accordance with barter agreements will be applied from 2016 onward. The average of the currency exchange rates will be used should one type of service be delivered at different times. | In accordance with barter agreements, the currency exchange rate at the time of delivery of service has been applied in 2016. This will also be done for future events. | Closed. |
| **Rec. 2****2015** | **Defining “regular promotion”.**We recommend to indicate in a more detailed way the service to be rendered by the partner as “Regular promotion”, and to check it eventually, for instance including thorough tracking the number of posts and the use of the official hashtag. | Barter Agreements for 2016 and subsequent events, will clearly specify the quantity and volume of services to be provided to ITU. Deliverables will be monitored and tracked.  | Barter agreements for 2016 were revised and clearly specified the quantity and volume of services to be delivered to ITU. This will also be done for future events.  |  Closed. |
| **Rec. 3/2014** | **Decreasing numbers**We recommend Management to continue its effort in consolidating the exhibitors’ presence and participants’ number. | As of 2015, ITU Telecom will enter a transitional period to present itself as an international platform with a focus on ICT entrepreneurship and SME support initiatives. With such re-positioning, there will be an opportunity to engage a new wider audience, while still fulfilling the mandate for Member States. Additional focus and relevance is being given to the exhibition in order to significantly increase the number of participants. KPIs are being established to monitor progress. | **April 2016**In addition to the new focus to engage SMEs in all aspects of the event, product pricing for 2015 was reduced across all product lines. Results for 2015 show a significant 41% increase in exhibitor numbers, with 40% representing an SME. ITU will continue its efforts to maintain and grow participation numbers. | Closed as Recommendation.Issue to be monitored in future events.  |
| **April 2017**Exhibitor numbers for 2016 continue to show positive growth overall, with those in the SME category increasing to 51%. |

**Suggestions**

|  | **Suggestion raised****by Italian Corte dei conti** | **Comments received from** **Secretary-General at the time of the issuance of the report** | **Status as****reported by ITU Management** | **Status on actions taken by Management as evaluated by Italian Corte dei conti** |
| --- | --- | --- | --- | --- |
|  **Sugg. 1****2015** | **Leadership Programme.**Considering that some activities, such as Leadership Programme sponsorships including lunch, dinners and LeaderSpace did not attract the interest of any sponsor, we suggest that a specific analysis be made by the Management on the reasons behind, reflecting its results in the budget implementation process. | The cost and associated benefits for these sponsorships for 2016 have already been carefully considered and significant adjustments have been made. Client interest and final outcome will be monitored with a view of further revision, if necessary in the future.  | Leadership Programme sponsorships attracted interest and generated revenue in 2016: a lunch (budgeted) and the summit itself (non-budgeted as a cautionary measure). As a result the sponsorship options associated with the Programme have been further developed for 2017 and will continue to be monitored with any necessary revisions applied for subsequent budget considerations. | Closed. Issue will continue to be monitored and action to be taken as necessary. |
| **Sugg. 2****2015**  | **Rate of admission fees** Considering the low revenue from passes and the unrewarding result on the number of paying attendees to the event, we suggest that Management undertakes the necessary research and further considers the rate of admission fees. | The practice of carefully reviewing the rate of admission fees on an event by event basis will be continued, taking into account factors that can influence pricing such as the market, client feedback, host country negotiations, the event location, etc. | After having carefully reviewed the rate of admission fees, for 2016, the rate of Exhibition admission fee has been reduced compared with 2015, thus resulting in an increase of 52% in revenue compared with the budget and 80% increase in the number of paid visitors compared with 2015. Forum admission revenue in 2016 exceeded the earnings in 2015 by 6%. The rate of admission fees will be continuously reviewed on an event by event basis taking into consideration the factors that influence pricing i.e., market, client feedback, host country negotiations, event location, etc. while aiming for higher revenue and higher number of paying participants compared with the budget and previous events. | Closed. |
| **Sugg. 3****2015** | **Meeting rooms.**We suggest that a reasonable budget assumption for meeting rooms be considered in the next budget exercise based on the experience made in 2015 | The volume of estimated sales for meeting rooms has already been reduced in the 2016 budget forecast. | The actual revenue for meeting rooms in 2016 exceeded the budget by 58% and the 2015 actuals by 50%. This was also due to the premium facility at the venue which enabled ITU to rent out meeting rooms at higher rates. A reasonable budget revenue for meeting rooms will also be established for future events. | Closed. |
| **Sugg. 4****2015**  | **Co-exhibitors.**We suggest to allocate a budget line for co-exhibitors in the next event, if such item is proven to be a recurring revenue. | An estimated revenue for co-exhibitors fees has been foreseen for the 2016 budget.  | Provisions for co-exhibitors revenue will continue to be allocated in future event budgets.  | Closed.  |
| **Sugg. 5****2015** | **Early announcement of next venue.**We suggest to make every effort to announce the venue of the event in a timely manner to be able to commence its promotion and avoid the loss of similar good opportunities for raising funds. If the subsequent event’s venue is not yet confirmed at the time of budget preparation, no allocation of revenue should be envisaged which is only earmarked for the next host country. | A process has been launched to identify the host country for 2017 much earlier than in previous years in order to ensure sufficient time to plan promotions at the 2016 event. This advance planning will continue for future events. | The invitation to Member States to submit their candidature to host ITU Telecom continues to be initiated at a much earlier date, so that the venue can be announced well in advance of the preceding event. Furthermore, in December 2016, Member States were invited to submit proposals to host the event in either 2018 or 2019 so that both events can be announced by mid-2017 and take advantage of the 2017 event to start promotion. | Closed. |
| **Sugg. 6****2015** | **Date of delivery for bartered services.**We suggest that a better practice be adopted using formulas in the spreadsheet and that the exact dates of delivery of each service per barter agreement be indicated. Moreover, the conversion of the amount to CHF for each delivery of service should also be calculated by using the appropriate formulas | Formulas will be used in the spreadsheet for barters from 2016 onward. The date of delivery of each service per barter agreement will be indicated. The conversion of the amount to CHF for each delivery of service will also be made using the appropriate formulas. | The 2016 barters spreadsheet reflects the date of delivery of each service and the amount for each service delivered has been converted to CHF using the appropriate formula. This practice will be continued for future events. | Closed. |
| **Sugg. 7****2015** | **App for smartphone.**Considering the good opportunities of such platform, we suggest to enhance the effort in selling the sponsorship for mobile app. | The proactive promotion of the benefits relating to the Mobile app sponsorship will continue. The data indicates that with successive years of use more participants are engaging with the Mobile app and it is therefore expected that it will become a more attractive item for potential sponsors to consider. | Due to the proactive promotion of the App sponsorship, the App was sponsored in 2016. Efforts will continue to push the App sponsorship and the use of the App by participants for future events. | Closed. |
| **Sugg. 8****2015** | **Kiosk Survey.**We suggest to enhance the use of the tool for the kiosk survey for collecting the ratings and to find a way of encouraging forum participants to use the tool in providing a feedback/evaluation of the forum sessions. | Efforts will be continued in encouraging forum delegates to participate in the kiosk survey. | Experience from 2016 shows that there are still challenges to overcome to ensure the maximum no. of forum delegates participate in the Kiosk survey, due in part to lack of attention by local event staff provided by the Host Country and the speed of the venue Wifi. Alternative and more effective, solutions to solicit session feedback are therefore under review for 2017. |   On-going. |
| **Sugg. 9****2015** | **Age issue.**With the aim of underlining the importance of the age issue, we suggest to implement a demographic survey that solicits the age of participants. | A plan has been implemented to gather age-related data during 2015. Unfortunately due to problems that were identified but too late to correct, the data was not reliable. All efforts will be made to rectify this for 2016 in order to present age-related data in the post event report. | For 2016 all participants were required to enter their age range during the registration process. This will continue to be implemented and data analysed at the close of the event. | Closed. |
| **Sugg. 10****2015** | **Participation of SMEs**Considering the result of the related KPI, and the new focus of the event to include SMEs, we suggest to enhance efforts to attract a wider participation of SMEs. | Among other initiatives, it is hoped that the Award Programme, launched in 2015 and being further developed for 2016 as a strategic pillar of the event (along with forum, exhibition and networking) will play a key role in attracting participation of SMEs with independent stands and on National Pavilions. | The second edition of the ITU Telecom World awards and its promotion did indeed play a key role in attracting SMEs and the number of SMEs in 2016 was higher than that in 2015. Efforts will continue to promote the Awards programme as a very important pillar of ITU Telecom World events. | Closed. |
| **Sugg. 4****2014** | **Prices and pricing policies**Considering the results, we suggest Management to formulate a reasonable pricing policy in order to derive more revenue from passes. | The Sales Strategy for 2015 has addressed the issue of passes in a number of ways and ITU shall be measuring effectiveness through the following means: the unit price of all pass categories has been significantly reduced to increase attractiveness; the volume of free forum passes provided as a benefit to clients purchasing space or sponsorship has been reduced, in the expectation that this will result in additional purchases by clients; and a low-cost exhibition pass has been introduced to increase attendance to the Showfloor. | **2016**Despite a decrease in access pass pricing for 2015 the number of passes sold was very similar to 2014. With a reduced unit cost this therefore resulted in a significant decrease in total access pass revenue. Such results indicate that price is not a factor for purchase. ITU will continue to monitor results. | Closed.Issue incorporated in Sugg. 2 - 2015 |
| **Sugg. 5****2014** | **Turnkey pavilions**Considering the relevance in generating revenue from turnkey solutions, we therefore suggest Management to study the possibility of having an even larger variety of turnkey pavilions for better utilization of this economic opportunity. | The 2015 rate for a Turnkey Solution provides for an increased value proposition compared with raw space. An additional low-cost turnkey product has also been developed to attract Small and Medium Enterprises (SMEs) and Startup companies with low budgets for event participation. ITU shall continue to monitor the appeal and cost benefit of these products. | **April 2016**ITU will continue to offer a range of Turnkey Solutions at every event, and continue to monitor uptake and any client feedback for improvement of this product line. |  Closed as Suggestion.Issue monitored in future events.  |
| **April 2017**A wider variety of turnkey pavilions are being offered in 2017 including turnkey pavilion for LDCs in order to allow the participation of different target groups. |
| **Sugg. 6****2014** | **Strategic expenditures**We suggest Management to analyze which budget line related to expenses are strategic and consequently, once decided, to assess if savings related to these strategies would be appropriate. | The actual expenses incurred for fellowships including awards for Young Innovators are directly related to the number of eligible applications. Notwithstanding, ITU shall analyse any potential savings on these and other budgeted items that could be considered as strategic expenses and carefully assess the impact on the success of the event. | **April 2016**On-going assessment and action as necessary. | Closed |
| **April 2017**Implemented and monitored yearly. |
| **Sugg. 9****2014** | **Duration of the event**We suggest Management to conduct a study on the duration of the event, and on the distribution of main meetings and relevant conferences along the entire event, to maintain the awareness of the Media for a longer period. | Efforts shall be made to assess the optimal duration of the event and scheduling of meetings and relevant conferences to encourage media to maintain their interest throughout the event. In addition, further efforts shall be made to schedule press conferences and announcements throughout the event to stimulate and maintain media interest. | **April 2016**Since 2015 new activities targeting new audiences such as the Awards Programme and Next Generation Day were put in place on the last day of the event which attracted media presence as well as other participant categories throughout the event and on the last day. This optimization of the Event programme throughout the 4 days of the event will be carried out each year. In addition, media are kept up to date with all activities on a daily basis with the issuing of a media daily calendar and a “What’s on tomorrow” communications to all participants.  | Closed. Issue will continue to be monitored. |
| **April 2017**Feedback from discussion with Host Countries and clients indicate that a 4-day event is the preferred duration, and is considered as industry norm for an event that involves an exhibition (taking into account ROI related to organization of a stand). Scheduling of activities across the 4 days continues to be being given careful attention to ensure interest is maintained. 2016 statistics show similar participation numbers for days 1 to 3, with day 4 dropping slightly however still generating attention for the Awards Ceremony and bringing in new audience to experience host country programmes for nationals. Media attention, understandably, is highest on days 1 and 2, however, over 25% of Media were still present on the final day of the event. Attendance patterns, client feedback and scheduling will continue to be monitored, analysed and addressed as necessary on an ongoing basis.  |
| **Sugg. 7****2013** |  **Make Event affordable for more aspiring Host Countries**We suggest to study scenarios for aspiring Host Countries to get fully leverage from investment they could make for hosting ITU Telecom World event, for a better compliance with Resolution 11 (Guadalajara 2010). | Host countries have systematically expressed satisfaction for hosting ITU Telecom events. Efforts will be continued in increasing the positive impact of hosting ITU Telecom events. .  | As of **2015**, ITU has implemented a number of initiatives to improve benefits for the Host Country. These include (1) reduced overall obligations and careful consideration of cost implications when establishing specs for HC deliverables (2) production of a document on HC benefits (3) involvement of the HC in preparation of the Forum to ensure topics of relevance are included, and specifically content targeted at nationals (4) opportunities offered to the HC for ongoing visibility in follow on events. | Closed. |
| **2017**Positive feedback continues to be received from Host Countries, as well as greater involvement and organization of special initiatives/programmes directed toward the national audience. It is noted that some Administrations are expressing interest to host the event again. |
| **Sugg. 10****2013** | **Possible weakening of identity of ITU TW events**We believe that Management has to be ready for a critical rethinking of the event and of the proportion of its components, to preserve or to change the identity itself of the Event. Since such decisions are in the scope and at the attention of the Plenipotentiary Conference, we suggest that the Management presents a study on that matter to assist the Plenipotentiary Conference in arriving at good decisions |  The transformation of ITU Telecom initiated following the PP-10 has proven successful as confirmed by financial results and various surveys. Efforts will be continued in refining the value proposition to regain pre-eminence. | The new focus on SMEs has been well-received and will continue in 2016. ITU will continue to monitor by soliciting feedback from all stakeholders through surveys and face-to-face discussions.Results of the 2016 participant surveys indicate that the SME focus is well-received and over 66% of respondents listed it as one of aspects that influenced their decision to participate. Over 70% of respondents consider the SME focus a positive addition with over 50% of whom were interested to see it further developed. Surveys will continue to be carried out to measure general satisfaction with the event and opinion of specific event elements - so that results can be developed for future event offerings to ensure relevance. | On-going. |

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