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| **COUNCIL WORKING GROUP ONFINANCIAL AND HUMAN RESOURCES**7th meeting, Geneva, 30 January - 1 February 2017 |  |
| INTERNATIONAL TELECOMMUNICATION UNION |  |
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|  | **Document CWG-FHR 7/15** |
| **20 December 2016** |
| **English only** |

CONTRIBUTION BY THE SECRETARIAT

**Follow-up on the recommendations of the External Auditor**

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

- the recommendations made in the External Auditor’s Report on the audit of the financial statements for 2015;

- the recommendations made in the External Auditor’s Report on the Audit of the Union’s accounts on ITU Telecom World 2015.

## 1. Follow-up on the External Auditor’s recommendations relating to the ITU Financial Operating Report at 31.12.2015

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|  | **Recommendation madeby the 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** |
| **Rec 1/2015** | We recommend that Management increase its efforts to recognize, label and capitalize the fixed assets located at ITU, in order to have a more accurate record of assets, through procedures and processes that will bolster coordination between different Departments. | The Secretariat will pursue the efforts already made to ensure that all assets are recorded in the respective databases. | Improvements were made by a close collaboration between the different Departments in terms of consistency of data in the two SAP modules intended for asset accounting and equipment management at headquarters and the regional offices. In addition, a Service Order on inventory and protection of ITU equipment has been issued. |
| **Rec 2/2015** | We recommend that Management should review the different categories’ lifetimes and their related depreciations according to UN practices. Where categories are updated, an adjustment of net book value will be needed. | The Secretariat will further analyse this recommendation and its potential consequences | A study on the useful life was carried out in relation to other international organizations based in Geneva. The possible change in some categories’ lifetime is under consideration and the decision to implement this recommendation is related to the construction of the new ITU building. |
| **Rec 3/2015** | We consider that the asset management framework needs further improvement, therefore we recommend that Management should: i) consider the feasibility of assessing the status and the level of utilization of assets; ii) monitor regularly the obsolescence of items, also with a view to assessing the accuracy of the Asset Register; iii) extend these processes and procedures to all ITU Departments and Regional offices | The Secretariat will further analyse this recommendation and report on the findings and conclusions to the external auditors | A detailed study was undertaken in 2016 concerning the level of utilization of assets under the responsibility of the ITU staff, which made it possible to identify the obsolete equipment in a significant way in order to update the accounting records. New procedures are being prepared for the management of equipment and its protection at headquarters and regional offices |
| **Rec 4/2015** | Given the purpose of the valuation required by IPSAS 25 and the directions provided in paragraph 92 to 94 thereof, we recommend that, in the years to come, Management should ask the actuary to use a discount rate equal to the yield on long-term Swiss government bonds.  | Management notes this recommendation and will discuss the matter with the appointed actuary to determine the most appropriate approach, taking into consideration the best practices of the UN organisations | A new actuary has been chosen further to a Call for bids. This topic was discussed with them taking into consideration the recommendation made by the UN ASHI working group and submitted to the General Assembly in December. This recommendation is based on the work of the UN IPSAS task Force, which agreed, in principle, that a thirty-year yield curve for high-quality corporate bonds would be identified each year for each of the three currencies in which health insurance benefits are most commonly paid: US Dollar; Euro; and Swiss Francs. |
| **Rec 5/2015** | We acknowledge the fact that Management is providing information to council and membership in a transparent manner on the regional presence in several documents and reports. However, in order to better respond to Resolution 25 requirements and in conformity with IPSAS, we recommend adding a segment disclosure on the Regional Presence to the Financial Operating Report that will set forth details on the appropriations and actuals of the regional offices. | This recommendation will be taken into consideration in the framework of the preparation of the 2016 financial operating report that will be submitted to Council at its 2017 session. A specific note relating to the regional presence together with a financial table will be included in the 2017 financial operating report | A specific note relating to the regional presence together with a financial table will be included in the 2016 financial operating report. |
| **Rec. 2/2014** | We recommend Management to start a tender procedure to select the actuary for performing the IPSAS 25 related actuarial valuations | Procurement rules are and will be scrupulously followed when proceeding to the tender for the IPSAS 25 actuarial valuations. | The ITU is linked by contract up to the end of 2015.In line with the procurement rules and regulations in force, a call for bids will be published at the beginning of 2016.**Update as of end-January 2016**: Discussions between HRMD and FRMD to define the ITU requirements will start beginning of March and, the call for bid should be published by the end of April.**Update as of end February 2016:** In March 2016, the Financial Resources Management Department (FRMD) in collaboration with the Human Resources Management Department (HRMD), will define the requirements related to a global actuarial study for IPSAS 25. The relevant Call for Bids is scheduled to be published by the end of April 2016.**Update as of December 2016:** A new actuary has been chosen to perform the IPSAS 25 related valuations. The result of the study will be included in the Financial Operating Report 2016. |
| **Rec. 3/2014** | We recommend Management to perform a full actuarial review study, to evaluate when the ITU financial health, in the long-term scenario, might be compromised by the provisions of the Health Insurance Scheme. However, considering that the transition to the new scheme is still in progress, this study has to be performed after the separation from the SHIF and after sufficient data is available under the CMIP, not before the end of 2016. This recommendation replaces the previous n. 6/2012 and n. 3/2013, which are to be considered closed. | It is taken note of this recommendation. A full actuarial study will be performed according to the recommendation. | As recommended, a full actuarial study will be performed at the end of 2016 based on the data and results provided by the Collective Medical Insurance Plan (CMIP).**Update as of end-January 2016 :** The requirement of this study will be included in the main actuary study related to IPSAS 25 (Rec 2/2014)**Update as of December 2016:** New actuaries has been chosen to perform a full actuarial study of the Health Insurance Scheme.  |
| **Rec. 4/2014** | As remedial measures are needed, these drivers might be considered by the Council: we recommend Management, to monitor these drivers to ensure adequate pay-as-you-go and long-term funding | The funding of the health Insurance on a pay-as-you-go basis as well as of the ASHI actuarial liability is of upmost concern for the Union and is carefully monitored. The drivers mentioned here above have been, among others, taken into account while planning the transition to the CMIP and producing the 2014-2015 budget, the 2016-2019 financial plan as well as the 2016-2017 budget, which will be presented during Council 2015. The continuous monitoring of the CMIP results with regular pro-active communication with all the stakeholders and timely proposed adjustments and decisions will enable the funding on a pay-as-you-go-basis. | The Management follows this recommendation and monitors carefully the different drivers to ensure ITU’s good financial health.**Update as of December 2016**: The management still monitors carefully the drivers and will review and adjust it based on the results of the global actuarial study performed at the end of 2016.Each year ITU Management presents the situation of the After-Service Health Insurance (ASHI) liability. ITU will continue to focus on cost containment with the service provider and has proposed an increase in the percentage of contributions for the CMIP members and for ITU in the 2016-2017 budget in order to ensure the financing of health insurance on a pay-as-you-go basis. Furthermore, ITU will continue to fund the ASHI reserve as far as possible according to the budgetary surpluses. |
| **Rec. 3/2012** | ***“Droit de superficie”***Considering that it is important and in ITU’s interest to extend the “droit de superficie” granted to ITU by the State of Geneva since 1967, we recommend Management to start, as soon as possible, the negotiations in this respect with the competent Host Country Authorities. | In January 2013, the Legal Adviser has already successfully contacted the Host Country competent Authorities in order to initiate a negotiation process. | PP-14 decided the creation of a Council Working Group. The CWG will, with the support of the Secretariat, examine the status of HQ premises of the Union and continue to analyse the options so far submitted and any other proposal by Member States, for prudent treatment of the premises in the long-term, in order to prepare a recommendation for Council. The first meeting of the CWG took place on 28 January 2015.**Update as of end-January 2016 :** The work of the CWG on options for the Union's HQ premises over the long term is still on-going. A second meeting was held on 28 September 2015.**Update as of December 2016**The Council, by its Decision 588, decided to replace ITU’s Varembé building by a new construction that would also include the offices and facilities of the Tower building and complement the Montbrillant Building. In this context, the “droit de superficie” currently enjoyed by the ITU until 2079 for all of its buildings will have to be renegotiated with the Swiss authorities. However, the ITU has already obtained the insurances from the Swiss authorities that the conditions presently granted to the ITU cannot be revised downwards and that the 2079 deadline will not, in any event,  be questioned.  A working group composed of representatives from the ITU, the Canton of Geneva (landowner), the Swiss Confederation and FIPOI will be set up in early 2017 to discuss specifically the issue of the “droit de superficie”. |
| **Rec. 4/2012** | ***Assets’ recording in the register***[…] we have performed a physical stock checking of some fixed assets categories, such as a sample of items of furniture and IT equipment and we have traced them into the accounts. We observed that the ITU responsible in Facilities Management Division (HRMD Department) have not found some of the assets during the physical stock checking at year end (around 0.73% of the acquisition value of the assets concerned). We are aware that controls have detected part of these assets not found at year end, however we recommend Management to continue its research and to write-off the item that will not be found during 2013. | I will instruct FRMD to coordinate with the Facilities Management Division to ensure the continuation of efforts in 2013 and will clarify the existence and treatment of the items not captured in the stock checking. | The process of the identification and localisation and/or write-off of the assets not found during the stock checking has been initiated in past years and is progressing according to plan.**At the end of 2014:**  the value of non-found assets has been significantly reduced by 83% of the 2012 value.**Update as of end-January 2016 :** The level of the identification of the assets which have not been found will be known by the completion of the physical inventory on 31 December 2015.**Update as of December 2016 :** The situation of recovered assets had improved considerably as at 31 December 2015 compared to 2014 and previous years. The same effort was made during 2016 for which the final result will be known at the end of the financial year. By way of comparison, the value of the assets not found on 31 December 2012 was 392’744 CHF, compared to 31,348 CHF on 31 December 2015. |
| **Rec. 10/2012** | ***Digitalisation of personnel dossiers***Although our analysis of the correspondence of the data inserted in the IT System with personnel dossiers did not revealed any major issue, we recommend the Management to start to evaluate the cost-effectiveness to digitalise personnel dossiers, not only in order to prevent that an accidental event might bring to loose fundamental data, but also to allow a direct interface of personnel dossiers with SAP HR. | I take note of this recommendation and inform you that HRMD is exploring this possibility. | The Detailed Blueprint (DBBP) of the e-Staff Personal File (digital filing) System was established on 19 April 2013.This DBBP comprises the HRAD (E&B Service) business process and mapping of the structure of the staff member (hard) personal file. The system is linked to the SAP-ERP\_HCM.**Update as of end-January 2015:** The first phase of creating the tool is completed. The e-Staff Personal File (digital filing) System is now operational.The next phase of the exercise concerning HRAD (E&B Service) focuses mainly on two different tendencies which are :1) Reduction of previous storage places (cupboards and computerized directories) to reorient Archive document flows toward the new e-filling system.2) Reduction of numbers of paper documents by revised working methods (repetition, overlap, unnecessary printing, etc…). There will always be paper documents as the original signed documents must be kept for legal reasons and to certify the accuracy of information recorded in the SAP- ERP\_HCM.**Update as of end-January 2016 :** The digitalization is ongoing.  HRMD is undertaking a fundamental review of all its procedures and document flow in view of creating a centralized, structured and secure electronic information management infrastructure to support the delivery of HR services.**Update as of December 2016 :** The project is still underway. One staff of the HRM Dept. will be assigned at 100% for six months as from January 2017. |

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

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|  | **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** |
| **Rec 1/2015** | 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 is being applied for WT16. When one type of service has been delivered at different times, the average of the currency exchange rates is being used. These will also be done for future events.  |
| **Rec 2/2015** | We therefore 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. (Please refer also to Suggestion no. 3/2014). | 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 WT16 clearly specified the quantity of volume of services that has been provided to ITU. Deliverables are being monitored and tracked. |

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