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| **Council 2018Final meeting, Dubai, 27 October 2018** |  |
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| **Agenda item: ADM 10** | **Document C18/41-E** |
| **23 July 2018** |
| **Original: English** |
| **Report by the Secretary-General** |
| EXTERNAL AUDIT OF THE UNION'S ACCOUNTS on ITU TELECOM WORLD 2017 |

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| **Summary**The External Auditor's report covers the accounts for the ITU TELECOM World 2017 exhibition.**Action required**The Council is invited to examine the External Auditor's report on the 2017 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 2017
22 June 2018

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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 2017 event, organized in Busan (25-28 September 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 2017 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), whose 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. Despite the prevailing situation in the host country, ITU Telecom World 2017 showed a positive event result at 31 December 2017 amounting to 22,753.45 CHF, as shown in paragraph 21 which is significantly lower than the budget forecast of 501,500 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 2017, for the period from 1 January 2017 to 31 December 2017. 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 2017 were closed on 31 December 2017.
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 performed a field audit on site in Busan, from 24 to 28 September 2017, verifying the actual realizations, the ongoing activities and the cash accounting.
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 2017 profit and loss sheet as at 31 December 2017 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 2017 accounts.
13. On 5 June 2018, 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 2017; 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 provided us with the requested relevant information and documents.

# GENERAL FRAMEWORK AND KEY FIGURES

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



(CHF)

1. We will comment on the difference between actuals and budgeted amounts in following paragraphs. As last year, 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 2017 was added to EWCF, which amount at 31 December 2017 totalled to 8,132,328.82 CHF, meanwhile at the end of 2016 it amounted to 10,075 thousand of CHF.
3. According to the Council resolutions and decisions taken in 2017 (ref. C17/34), a transfer of 2,000 thousand USD from EWCF to ICT Development Fund was disposed.

## 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 2017 was approved on 30 March 2017, with a slight lack of compliance with the limit of six months before the opening of the event (25 September 2017).
2. The timing of the bidding process will be considered in following paragraphs. It has to be noted that instead of a Host Country Agreement between the Government of Korea and ITU, a Memorandum of Arrangement was formally agreed with Ministry for Science, ICT and Future Planning of Korea, signed on 15 May 2017.

## 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 received from ITU Telecom management the “Participant analysis” that has been carried out using internal resources.
4. We acknowledge the efforts in refining the KPIs and using them to guide 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 7 January 2016 to ITU Member States. The deadline for submission of bids was 30 April 2016.
3. Since on 24 January 2016 Korea informed through the ITU regional office in Bangkok of its interest to bid, but would need more time due to internal processes; on 28 January 2016 ITU confirmed that if additional notification of interest to bid was received by the 30 April deadline, the actual bid could be accepted if submitted by 8 August 2016.
4. On 19 July 2016 Korea requested a further deadline of 31 October, accepted by the SG and on 20 September Korea formally submitted its candidature.
5. No ITU Member State submitted a formal candidature within the deadline of 30 April 2016. Nevertheless, the postponement of the deadline granted to South Korea on 28 January 2016 was not communicated to the other Member States.

We recommend considering in the bidding process that the extended deadline of the bid be communicated to all Member States.

Comments by the Secretary-General

All Member States will be duly informed of any deadline extensions agreed in general or with any specific country, during the bidding process to host an ITU Telecom event.

### 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.
2. A new Segment Reporting (SR) table was presented among the Final Accounts, aimed to be consistent with the segment reporting in the Note 24 to general ITU Accounts.
3. Last year’s SR Table was structured on a budgetary basis meanwhile the one of this year follows the ITU accounting perspective: we observed that a reconciliation exercise, although opportune, was not duly presented; therefore, in relation to the correspondence of the figures in the two documents, a direct reconciliation was not possible.
4. Furthermore, we noted that, since high amounts are reported as “other expenses” under Expenses, in the Summary of Revenue und Expenses by category (p. 5 of WT17 accounts), a better definition of the categories has to be implemented.

We therefore suggest representing separately in Segment Reporting expenses, now included in “other expenses”, for example, splitting ITU Cost Recovery, TLC Secretariat and Debtor Provision under Expenses – Administration.

Comments by the Secretary-General

In past ITU Telecom events, the ITU Cost Recovery, TLC Secretariat and Debtor Provision had been reflected separately in the Summary of Revenue and Expenses. However, in order to simplify, these objects of expense have been consolidated in WT17 Accounts as “Other expenses”. As suggested, these items will again be presented separately under Administration in the Summary of Revenue and Expenses by Category from WT18 onward.

# REVENUE

1. Revenue totalled 7.4 MCHF and was lower than budgeted 8.2 MCHF, and significantly lower also than revenues from previous events (8.8 MCHF). In the following paragraphs we present some analysis of the revenue.

### Sponsors

1. The revenue from sponsorship items that are enumerated below, excluding the Host Country contribution, shows the budget as 1,964 kCHF, while the actual amounted to only 1,047,400 CHF. The forecast resulted optimistic, specially with regard to the possibility of selling sponsorship for Leadership, Networking, and SME Programmes, where the actual revenues were consistently low.



1. The unsatisfactory result in sponsorship sales leads to the need to increase the efforts for higher revenue from this activity, as well as to a whole new consideration on the opportunities in the specific market addressed.
2. We noted that Telecom conducts a post-event analysis of sponsorship products considering several factors, including benchmarking with similar events. Based on the outcome, it is understood that products are adjusted or created for the subsequent event.

## Exhibition

1. A total of 5,968 m2 was sold as exhibition spaces, which correspond to 2,890,681 CHF, with an increase respect to TW2016 (3,956.50 m2 sold corresponding to 2,122,655 CHF). The number of exhibitors, 458, increased in TW2017 compared to TW2016 (250 exhibitors).
2. On the other hand, the comparison of the actual revenue from exhibition with the budget shows a slightly lower value (-2%).

### Discounts

1. Article 2.8 of the “ITU Telecom Policy and procedures” states that each discounts and extending of spaces exceeding the limits provided in articles 2.1 and 2.7 should be referred to Secretary-General for decision “*with recommendations and supporting documentation regarding their relevance to the interests of the Union*”.
2. We reviewed some of the Memoranda submitted to the Secretary-General for his decision and we observed that for this kind of documents there is no standard format that includes predefined and essential relevant information.

We therefore recommend adopting a standard template in Telecom’s request for the Secretary-General’s decision as referred to in Article 2.8 of the “ITU Telecom Policy and procedures”.

Comments by the Secretary-General

A standard form of Memorandum will be established by the Telecom Secretariat for this purpose, including all relevant information to be communicated to the Secretary-General for his decision.

### Admission fees

1. Revenue from sale of passes (with access to Forum and Exhibition throughout the event) amounted to 126 kCHF, only half of budgeted amount (250 kCHF).
2. While revenue from Exhibition admission fees amounted to 12.5 kCHF, slightly less than budgeted (15.5 kCHF), admission fees from Forum were significantly lower than predicted (113.6 kCHF actual, 234.5 kCHF budgeted). As we already underlined in our previous reports, a decreasing trend for revenue from forum passes (from more than 1 Million CHF in 2011 and 2012, to around 200 kCHF in 2016 and 114 kCHF in 2017) is confirmed.

Having observed the sharp decreasing trend in the revenue from Forum admission fees, we suggest exploring alternative measures such as a reduction of free and benefit passes and an increase of the number of paying attendees to the event.

Comments by the Secretary-General

Measures have already been undertaken for the 2018 event including a reduction in discounts and new promotions that aim to increase sales. Results will be analysed, along with the impact of sales packages that include provision of passes as an associated benefit.

## Meeting rooms

1. Actual revenues related to Meeting Rooms renting totalled 42.1 kCHF, lower than the amount budgeted (60 kCHF).
2. Following our last year recommendation, both in budget and final accounts an item related to the expenses for the construction or set-up of meeting-rooms was added. The budgeted amount for these expenses (40,000 CHF) was actually spent in the measure of 8%, since the only cost faced pertains to a partition and a furnishing of a meeting room.

### Raw space

1. The data related to the sale of raw space show a result (1,854 kCHF) equal to the budget, and we observed an increase respect to the last year result (1,495 kCHF). We acknowledge that a correct use of discount policy allowed the rental of more space than predicted.
2. During our testing on-the-spot, we noted that in some cases the actual space occupied by the exhibitors exceeded the space allocated by ITU.

We recommend performing regular monitoring during the event and ensure that the exact dimension of spaces allocated by ITU to exhibitors is adhered to, for commercial as well as security and safety reasons.

Comments by the Secretary-General

As of the 2018 event, a routine monitoring procedure will be established to ensure that exhibitors only occupy their allocated space, and measures taken to address any discrepancies.

## Turnkey

1. The “Turnkey Solution Packages” product shows that actual result were in line with the budget. Revenue from turnkey solutions, budgeted to 1,090 kCHF, amounted to actual 1,037 kCHF, plus a penalty for a cancellation (1.2 kCHF).
2. It is worthwhile mentioning that the increase of the performance of this product, respect to the previous year, is registered both in financial term (1306.7kCHF in 2017, 625.8 in 2016) and in terms of rented space (1,207 m2 in 2017, 914 m2 in 2016).
3. Lower expenses, amounting to 248 kCHF (-43% than the forecasted 435 kCHF) for constructions and set-ups of turnkey stands are registered. A debtor provision 190,4 kCHF is also disclosed in the accounts. Part of the debt (70 kCHF) was incomed before 31 March 2018.

# FORUM

1. Actual revenue from the Forum (557 kCHF) are significantly lower than budgeted (798.5 kCHF), and represents a sharp fall respect to the Forum revenue in 2016 (1,347 kCHF) and in previous years.
2. The composition of Forum revenue shows 76% from sponsorship and contribution, and 24% from admission fees.
3. Due to a significant reduction of the expenses (185 kCHF budgeted, 70.2 kCHF actual), the financial result of the Forum shows a surplus of 486.8 kCHF.
4. Admission fees for the Forum amounted to 113.6 kCHF, less than half of the budgeted (234.5 kCHF). Many free passes have been granted as guests of Host Country and ITU and as benefit linked to other activities.
5. The “Participant analysis” shows that only 29% of participants paid the full price, while benefit quota was 37% and ITU guests where 23%. See Suggestion n. 3 above on this issue.

### Fellowship Programme

1. “Fellowship Programme” for TW2017 Busan registers unvaried revenue respect to the budget (80 kCHF), since it consists in a fixed contribution from Host Country. Actual expenses (20,911 CHF) were far lower than predicted (80,000 CHF), and we ascertained that very few “fellows” (in number of 4) have been selected.
2. Management reported to us that the reason for the low amount of “fellows” selected was due to the lack of qualification of some candidates and the late presentation of some applications.
3. Furthermore, Management tried to allow candidates to fellowships to propose themselves also for a speaking role in the Forum: although Management considered the initiative, it was not properly conducted. Candidates should be enabled to indicate potential experiences they wanted to showcase at the event.

We therefore suggest that the invitation to potential candidates for fellowships should be sent earlier and should clearly indicate the qualification needed, which would allow for more time to prepare submissions and more adherence to the requests thereby enhancing the involvement of selected fellows in the Forum e.g. as speakers.

Comments by the Secretary-General

Taking into account the outcome of the past few years, ITU has decided not to provide fellowships for 2018 and will instead further analyse the fellowship programme and its impact with a view to improve and/or consider other potentially more effective measures to provide participation opportunities for Member States from least developed countries (LDC).

## Special Programmes

1. For the Special Programmes considered as a whole, less than half of revenues (actual 401 kCHF) than budgeted (1,088.5 kCHF) and a little more of expenses (actual 112 kCHF, budgeted 104 kCHF) were registered. This leads to a financial result (actual surplus 289 kCHF) significantly lower than predicted (budgeted surplus 984.5 kCHF). Management assured that these Special Programme will be newly considered in next editions.

## Leadership *Programme*

1. Less revenue and less expenses show a substantially unsatisfactory result of this sector of the event.
2. A Ministerial Roundtable Session took place and sold for sponsorship modifying the Ministerial Programme. We acknowledge the flexibility in the organization, given that what was learnt could be useful for future forecast, including this item in budget.

## Celebration activities

1. The good result of the sponsorship of the Opening Ceremony does not compensate the lack of sponsorship of the two dinners, one of which was cancelled and the other converted to a cocktail. ITU incurred also in unforeseen expenses for the latter.
2. The financial surplus of this item should not hide the fact that such activities are probably in a process of repositioning in the attention of the market, and on this issue we have we recall suggestion 8 of last report on TW 2016 (refer to follow-up table in annex A).

## Barters value

1. Value of barters was actually 31% higher than budgeted, but at the same level of last edition (1,052 kCHF in 2017, they were 1,013 kCHF in 2016).
2. In compliance with our past 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.
3. We acknowledge the efforts made and the enhancements for a better control of the services really given by barter partners.

## Outstanding revenues

1. At 31.12.2017 six (6) debtors were registered, for an outstanding invoiced amount of 290,7 kCHF. One of them paid its 50 kCHF debit immediately after 31.12.2017 and therefore, the unpaid invoices have been provisioned for 240,4 kCHF. Another debtor paid (50 kCHF) in March 2018.

# EXPENSES

### Core Expenses

***ITU 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 2017, 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. In our Report on TW2012 we issued a specific Recommendation (Recommendation no. 3/2012) asking for a better disclose all the relevant elements that are essential in the correct determination of this value. 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. A reduction from the former value of Cost Recovery (2 MCHF) to a new one (1.5 MCHF) was then decided.
3. In these four years from the implementation of our recommendation, new conditions could be considered, with the effect of confirming or changing the amount then calculated.

We suggest renewing the evaluation of the amount of Cost Recovery, for a better consideration of its still plausible adequacy in the present situation.

Comments by the Secretary-General

The amount of ITU Cost Recovery for ITU Telecom events will be reviewed taking into consideration the current situation.

***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 2017 amounts to 3,005 kCHF. Although it is slightly less than the budgeted amount, we highlight its relevance on the total expenses.
2. We noted in our last report that such calculation of core expenses does not consider work time of TLC occasionally rendered to other ITU Services. Refer to the follow-up tables in ANNEX A for this issue.

## Direct expenses

1. Direct expenses were 2,883.3 kCHF, lower than the budgeted amount (3,132.5 kCHF). We acknowledge the efforts performed by Management for reducing such expenses.

### Sales Agencies or Promotion partners

1. An amount considerably higher than budgeted occurred for the item Sales Agency commission (+240%). The related documentation has a different definition, namely “Promotion partners”. These expenses are included into Administration, although they are to be considered costs related to specific activities, such as participations to Exhibition or Sponsorship or special Programmes, for which the Promotion Partner succeeds in finding “participants”.
2. A “finder fee” of 30% or 15% of the amount actually received by ITU for individual contracts was recognized to the Sales Agencies, therefore the direct link between a specific revenue and its “cost” in terms of due fee to the finder, deserves to be better represented.

We suggest adding a table, annexed to the Accounts, with clear connection between revenue obtained through Promotion Partners and the cost of “finder fees”.

Comments by the Secretary-General

A table will be annexed to the “Accounts” showing the finder fees paid to each Promotion Partner and the corresponding revenue earned for each product.

1. It has also to be noted that the Sales Agency fees absorb a significant amount of the related revenues, also considering the kind of service they offer when the client is already among the ones previously contacted by ITU. Management, on the other hand, may consider them as useful partners on some specific markets.

Therefore, we recommend limiting the recourse to these Promotion Partners to a minimum, and to carefully consider the need for them in each case.

Comments by the Secretary-General

Promotion Partners play an important role to market the event and increase the client base in various countries/regions that would not be possible to reach given the size of the internal sales team. The list of entities that they cannot approach is updated annually and for 2018 the “finder fee” has been reduced to 15% for returning clients, and will be further reduced to 10% for 2019.

## Telecom Media Services

1. The result for this item shows savings related to facilities offered by Host Country. It has to be noted, nevertheless, that, since the TV Studio was provided by HC, no sponsorship related to it was sold. Management considered nevertheless to maintain budgetary provision for this item in case additional requirements would be needed.

# KPI AND PARTICIPANT ANALYSIS

1. As it was the case in the past years Event, demographic detections and other detections, including the customer satisfaction, were completed through a “Participants analysis”.
2. The total number of participants shows an increase compared to the previous year (9,112 in 2017, were 8,764 in 2016), and not far from the given target of 10,000, but a significant decrease of foreign presence was registered. The event was mainly attended by national audience, with only a 16% of foreigners, when in 2016 they were 25%. This may be considered an evidence of a less international event, but also of a strong interest from local companies and individuals in the event.

### Gender issue

1. Gender distribution for participants shows a worse result (F/M = 24/76; it was 37/63 in 2016, and 25/75 in 2015). This issue has to be seriously addressed in next editions of the event. We already pointed out the importance of this issue in our Suggestion 7/2016, but the worsening of the situation deserve a more resolute consideration.

Despite some efforts made, unsatisfactory result was achieved in balancing the gender distribution of participants, both in forum and in exhibition. We therefore recommend enhancing the efforts to tackle this issue.

Comments by the Secretary-General

Further analysis will be undertaken to understand the difference in the gender distribution comparing the 2016 and 2017 events. Notwithstanding, measures that aim to improve the balance will be explored and implemented.

## Global dimension

1. Participants from 103 countries were registered, significantly less than in 2016, when participants from 128 countries were registered.
2. The Regional breakdown shows an unbalanced distribution of participants, with a 66% of provenience from Asia-Pacific. We renew our previous suggestions about a better fulfilment of the global dimension, with reference to Suggestion 1/2016.

### Kiosk survey

1. As in previous editions, a kiosk survey was performed during the event and at the end of almost any session, asking to participants to rate the session they attended on a touch-screen. We collected evidence of valuable efforts in convincing everyone to participate to this survey. Nevertheless, a percentage not measurable, but perceived as high by us, of attendee escaped the survey.
2. The Participant Analysis shows an increase of participants that submitted the kiosk survey during the event, with a maximum rate of 28% in the 4th day.
3. The overall results of the kiosk survey is 51% of “good” and a 43% of “excellent”. These data are affected by limited reliability, for the limited participation to the survey.

Therefore, we suggest finding a way to increase the interest of attendees in participating in the survey, using the kiosks or other tools.

Comments by the Secretary-General

It is acknowledged that, despite measures taken in 2017 to improve the situation, the kiosk survey is consistently failing to generate reliable data to rate Forum sessions. Alternative methods are being explored, and will be evaluated for 2018, including better use of the Event App for this purpose.

# 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 1

# Follow-up to the recommendations issued in our previous reports

|  | **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 1/2016** | 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. | 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. | **Update as of December 2017:** As in ITU Telecom World 2017, the recommended object of expense will continue to be used for all ITU Telecom future event budgets. | Closed |

# Follow-up to the suggestions issued in our previous reports

|  | **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****2016** | 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). | 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. | On-going consideration. Also dependent on the outcome of any Member State proposals / discussion at PP18 concerning event rotation | Ongoing |
| **Sugg. 2****2016** | 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. | 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. | Superseded by related 2017 Suggestion 3 | Closed. Superseded by related 2017 Suggestion 3. |
| **Sugg. 3****2016** | We suggest to further analyse the reasons for the lack of interest in the Award Gala Dinner sponsorship.  | 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. | Reviewing and refining sponsorship opportunities is part of ongoing practice. For example, for 2018 a new sponsorship around the Awards and SME programme has been created called Innovation Partner – it is receiving interest from a number of clients. | Closed |
| **Sugg. 4****2016** | 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. | 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. | Specific action has already been taken. | Closed |
| **Sugg. 5****2016** | 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. | Efforts will continue to ensure a record is kept of service time rendered by staff on Telecom events as well as other ITU activities. | On-going as part of standard practice. | Ongoing |
| **Sugg. 6****2016** | 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. | 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. | Engaging young event participants is part of on-going planning and evaluation of age demographic for each event.  | Closed |
| **Sugg. 7****2016** | 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.  | Efforts will be increased to achieve a more balanced composition of speakers and other categories of participant, with specific attention to gender distribution. | Enhanced efforts are being continued. | Ongoing |
| **Sugg. 8****2016** | We suggest to reduce the expectation of participation for lunches and dinner organized for high level participants. | 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. | Attendance estimation is part of on-going planning and evaluation. | 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.  | Closed. Superseded by related 2017 Suggestion 7. |
| **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. | Ongoing. |

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