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| **Council 2019 Geneva, 10-20 June 2019** |  |
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| **Agenda item: ADM 16** | **Document C19/44-E** |
| **15 May 2019** |
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| Report by the Secretary-General | |
| REPORT OF THE INTERNAL AUDITOR ON INTERNAL AUDIT ACTIVITIES | |

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| Summary  This report covers the internal audit activities for the period from March 2018 to April 2019.  Action required  This report is transmitted to the Council **for consideration**.  \_\_\_\_\_\_\_\_\_\_\_\_  References  [*ITU Financial Regulations and Rules (2018), Article 29*](https://www.itu.int/en/council/Documents/Financial-Regulations/S-GEN-REG_RGTFIN-2018-PDF-E.pdf) |

# Introduction

1. This report is transmitted to the Council and responds to Article 29 of the Financial Regulations (2010). In accordance with the ITU Internal Audit charter,[[1]](#footnote-1) this report is submitted to the Secretary-General and presented to the Council for consideration. The current report covers activities from the period between March 2018 and April 2019.
2. For the period reported on, the Internal Audit Unit comprised two Professional staff – a P.5 (Head of the Unit) and a P.3 (Internal Auditor) as well as a P2 (Junior Internal Auditor), until the incumbent left ITU on 31 July 2018 and a temporary replacement came on board as of 1 February 2019. The P2 post has been advertised on a fixed-term basis. A General Services staff (Audit Assistant) was working in the Unit on a full-time basis. Thus, currently the Unit consists of three professional posts and one General Services post.
3. Internal Audit (IA) confirms that it conducts its audits in accordance with the International Standards for the Professional Practice of Internal Auditing and the Code of Ethics established by the Institute of Internal Auditors (IIA),[[2]](#footnote-2) as well as with the provisions of the ITU Internal Audit Charter.[[3]](#footnote-3) In addition, IA confirms that, for the period reported on, its staff had no managerial authority over, nor responsibility for any of the activities audited and did not perform accounting or operational functions within ITU.

# Orientation and scope of the internal audit activities

1. In line with the IA Charter, the proposed IA plan for 2018 was reviewed by the Independent Management Advisory Committee (IMAC) at its 18th meeting and on 24 January 2018 approved by the Secretary-General. For 2019, the proposed IA plan was drawn up in the beginning of the year, after consultation with the newly elected officials. It was reviewed by the IMAC at its 21st meeting and on 26 March 2019 approved by the Secretary-General. In addition to assurance engagements, the Internal Audit Charter stipulates also that *IA shall investigate allegations, or presumptions, of fraud or mismanagement* as well as that *Internal Audit may provide consulting services within ITU*.
2. IA systematically shares copies of internal audit reports with the ITU External Auditor and with the IMAC. In accordance with ITU Financial Regulation 29.5, final internal audit reports can be made available to Member States or their designated representatives. A facilitated mechanism for accessing internal audit reports has been put in place since October 2015. During the period reported on, no requests for accessing internal audit reports were received via the online mechanism.

# Objectives and conclusions of the assurance engagements

1. The objectives of the assurance engagements were to assess: (i) the governance aspects of the Union’s operations audited; (ii) the risk management practices; and (iii) the effectiveness of (internal) controls. The priority of the recommendations resulting from the audit work is classified according to the impact and likelihood of the deficiency (high, medium, low).

Based on the various assurance engagements performed, IA concluded that, overall, there is a need to improve governance and risk management of the processes reviewed and to render the controls more effective in the various areas audited. Improvement in these areas would allow IA to provide to the Secretary-General reasonable assurance that there is adequate governance and risk management, and that controls are effective. Recommendations made to management are being actioned, with the support of the Secretary-General, and this will further strengthen ITU to fulfil its mandate.

1. The implementation of recommended actions is followed up by IA, as and when required.

*The following assurance engagements have been conducted:*

***Audit of translation services***

1. IA conducted an audit of Translation Activities in ITU covering the period from January 2014 to December 2017. This audit involved the review of applicable policies, processes and how translation activities are conducted in ITU. The audit reviewed translation related to conference/events documents, publications, and webpages.
2. IA concluded, as high priority matters on a number of issues as follows:

* The policies relevant to translation activities are largely outdated and are partly inconsistent with current practices and other policies. It was recommended that the policies are reviewed and updated. The concerned Management indicated that it would update the policies in the course of 2018.
* Furthermore it was concluded that there are aspects about translation processes and internal capacity that need improvement. It is recommended that adapting the Language Sections structure according to the medium-term reality is considered. Further, budgetary allocation should be considered for Temporary staff. The concerned Management indicated that it will work on the improvement of the Languages Sections’ structure.
* Also, there was no clear channel for choosing providers such as for emerging technologies and many of the adopted alternative translation mechanisms are not effective. It is recommended that a call for expression of interest/bid for alternative translation mechanisms is considered, as opposed to direct sourcing of suppliers. C&P Management commented that it was currently working on a call for bids with an estimated completion date in Q1 of 2019.

During a follow-up exercise by IA in early 2019 it was found that the anticipated time-frames for completion of the implementation have been moved towards the end of 2019.

1. Overall, IA is of the opinion that the risk management with respect to translation activities is adequate and that resources are used reasonably efficiently and economically. Governance processes and internal controls are partially adequate with improvement needed in the area of policies and procedures as well as in some aspects of internal capacity. If these areas were addressed, the Secretary-General could be provided with reasonable assurance that – for translation activities – there is adequate governance and risk management, and that controls are effective.

***Audit of overtime arrangements***

1. IA conducted an audit of Overtime Arrangements in ITU covering the period from January 2015 to April 2018. This audit reviewed information related to overtime policies, authorization process, procedures, compliance, and economy and efficiency in utilization of overtime resources.
2. IA concluded, as high priority matters on a number of issues as follows:

* The procedures, guidance, and training to manage heavy workloads periods are absent which leads to uneconomical and inefficient utilization of resources for overtime activities. It was recommended that a quarterly review of overtime patterns are provided to managers, which would also serve as advice on the status of overtime in the respective units/departments.
* Furthermore it was concluded that the policy regarding maximum 40 hours of overtime during one month and 12 hours in any 24-hour period is not always complied with. The exceptional circumstance concept to deviate from that policy is not clearly defined and leads to thus a lack of compliance of policies and procedures. It was recommended that, in the interest of staff health and safety, the limits described above should be enforced.

Recommendations were accepted by the HRMD management.

1. Overall, IA is of the opinion that the governance processes with respect to overtime are outdated and that the controls are not sufficiently adequate. In terms of risk management Internal Audit is of the opinion that resources are not used efficiently and economically. Improvement is thus needed in these areas in order to provide to the Secretary-General reasonable assurance that – for overtime arrangements – there is adequate governance and risk management, and that controls are effective.

***Inspection of Staff credentials***

1. IA conducted an inspection of staff credentials in ITU covering the period from January 2015 to September 2018. This inspection reviewed information and documentation related to academic qualifications for the recruitment / promotion of staff.
2. There was one high priority issue that IA concluded: internal controls related to the recognition and verification of staff and candidate’s credentials are partially adequate. It was recommended that consideration is given to implementing measures for: (i) ensuring the equality and fairness during the pre-screening process; (ii) documenting the assessment process (recognition and verification) of the academic credentials for all recruitment cases; and (iii) verifying the authenticity of credentials. Recommendations for all issues (high and medium priority) were accepted by the HRMD management.
3. Overall, IA is of the opinion that the governance processes with respect to staff credentials are partially appropriate. Whilst the governance process is reasonably adequate, risk management and effectiveness of controls are only partially adequate. Improvement is thus needed in these two areas in order to provide to the Secretary-General reasonable assurance that –for staff credentials– there is adequate governance and risk management, and that controls are effective.

# Investigations by Internal Audit

1. IA, in its investigative capacity, conducted one investigation and two preliminary reviews. The investigation was related to a presumption of fraud by a staff member in the ITU Regional Office for the Asia pacific region. Document [C19/INF/14](https://www.itu.int/md/S19-CL-INF-0014/en) contains an overview of the facts and remedial actions undertaken to date.

The two preliminary reviews were conducted by IA, in the absence of an Ethics Officer, and there was no connection between the two cases. One was with respect to allegations towards a General Service Staff engaging in a combination of workplace bullying, humiliating, threatening and intimidating behavior, and the other one was with respect to a staff member in the professional category, who would have engaged in a combination of workplace sexual harassment, intimidation, and bullying behavior.

As per the ITU procedures, upon completion of the one investigation and the two preliminary reviews, IA submitted its confidential report to the Secretary-General.

# Consulting services by Internal Audit

***Selection process for the ITU External Auditor***

1. Upon recommendation by the IMAC, the Secretary-General requested IA to lead for the secretariat the process of selecting a new External Auditor. At its 2018 session, the Council appointed the individuals recommended by the six regional telecommunication organizations to serve as members of an Appraisal Committee and report to Council 2019 on the outcome of its work.
2. With the support of the ITU secretariat, the Appraisal Committee conducted its work on the tender process for identifying a Supreme Audit Institution (SAI) of an ITU Member State that best meets the criteria set out in a Request for Proposal (RFP) for auditing the accounts of the Union.
3. IA continued throughout the process to assist the members of the Appraisal Committee for conducting their work, and provided guidance on procedural and audit technical matters as appropriate. A report of the Appraisal Committee’s work is submitted separately to the Council for its consideration.

# Follow-up of internal audit recommendations

1. Throughout the period reported on, and in compliance with IIA[[4]](#footnote-4) Standard 2500, Internal Audit continued to follow up on recommendations made in previous audit reports. Further progress was noted over the last 12 months and statistics on the implementation are (at 15 May 2019):



1. Further to a request last year from a Councillor, IA also included in this year’s report an overview of the criticality of the recommendations still in progress:
2. The critical recommendations from 2019 stem from the management letter that IA issued, further to the investigation into the fraud case (see paragraph above on *Investigations*). They relate mainly to the need for reinforcement of procurement related controls, regional/area office oversight and control procedures with respect to the hiring of external experts (under Special Service Agreements). For 2018, the critical recommendation was related to the need for issuing a procurement manual (which would strengthen controls in that area). For earlier made recommendations, Management informed IA (and IMAC) regularly of the progress.

**Audit methodology related aspects**

1. Since 2013, Internal Audit started using *Audit Effectiveness Questionnaires* which were sent to the audited processes’ and entities’ managers, to assess the effectiveness of the audit work and identify room for improvement. This practice was continued in the period reported on in this document. Based on the six *questionnaires* sent back to Internal Audit in 2018/2019, feedback has been very positive (average score of 4.2, on a scale from 1 to 5).

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1. Service Order 13/09, promulgated by the Secretary-General on 27 June 2013 [↑](#footnote-ref-1)
2. Institute of Internal Auditors, [www.theiia.org](http://www.theiia.org) [↑](#footnote-ref-2)
3. Service Order 13/09, promulgated by the Secretary-General on 27 June 2013 [↑](#footnote-ref-3)
4. Institute of Internal Auditors, [www.theiia.org](http://www.theiia.org). [↑](#footnote-ref-4)