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| **Council Working Group on Financial and Human Resources (CWG-FHR)****Eleventh meeting – Geneva, 18 September 2019** |  |
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|  | **Document CWG-FHR 10/15** |
| **9 September 2019** |
| **English only** |

**Contribution by the Secretariat**

FOLLOW-UP ON REMEDIAL ACTIONS TAKEN IN RESPONSE TO THE FRAUD CASE IN A REGIONAL OFFICE

**Purpose of this Report**

1. The purpose of this Report is to advise the CWG-FHR on progress the ITU Secretariat has made to strengthen internal and financial controls as a result of the fraud case in a regional office.

**Background**

2. This facts of this case were presented to Council at the 19th Session held in Geneva in June 2019. Details are found in Council Document [C19/108](https://www.itu.int/md/S19-CL-C-0108/en).

3. It should be recalled that this was a very sophisticated fraud, perpetrated over many years and making use of a variety of mechanisms to fraudulently obtain ITU funds. Accordingly, normal financial controls would not easily identify the fraudulent activities as they took place.

4. In response to the level of sophistication of the fraud, Council approved funding for a financial investigation to review 10 years of ITU activities to ensure there are no further cases of fraud and that no other ITU staff members have participated in such activities. The relevant Council decision is found in document [C19/130](https://www.itu.int/md/S19-CL-C-0130/en).

**Follow-up on Council Document C19/108**

5. Document C19/108 outlined, *inter alia*, the actions ITU would be taking to improve internal controls and minimize the risk of future fraud occurring.

6. As Council was advised in Annex 1 of C19/108, the Director of the Telecommunication Development Bureau convened a high-level Working Group of ITU managers to review a detailed list of required actions which was formulated by the Internal Audit unit of ITU. The Director is personally chairing this Working Group.

7. Designated as the Working Group on Internal Controls, this group has met 6 times since the end of Council. It is working on a wide range of policies and procedures to meet the requirements of a list of needed actions prepared by Internal Audit. It should be noted that the list prepared by Internal Audit includes recommendations from the External Auditors, IMAC and Internal Audit and is quite comprehensive.

**Summary**

8. Council Document C19/108 separated the action item list into 2 Annexes. For ease of discussion and follow-up, these have been combined into one Annex which is attached to this report.

9. Members of the Secretariat are available to discuss the status of the follow-up actions with the CWG-FHR as needed.

**Report on follow-up to Council Document 108**

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| **System and measures established / under implementation or planned for implementation** | **Status as of 6 September 2019** |
| 1. The Internal Audit Unit, the Legal Affairs Unit, the Ethics Office, FRMD and HRMD have collaborated on the establishment of a new policy against fraud, corruption and other proscribed practices which has been promulgated by the Secretary-General.  | ImplementedService Order No. 19/09Policy against fraud, corruption and other proscribed practices |
| 2. The Internal Audit Unit, the Legal Affairs Unit, the Ethics Office and HRMD have collaborated on the establishment of Investigation Guidelines which have been promulgated by the Secretary-General. | ImplementedService Order No. 19/10 ITU investigation guidelines |
| 3 Following the approval by the Management Coordination Group (MCG) on 5 March 2019, as of 1 April 2019, New Procurement Procedures for orders below 20’000 CHF have been established under the framework of the current SO 14/06. These procedures have also been incorporated in the upcoming Procurement Manual. | **Implemented**  |
| 4 In the course of the current revision of the process for the establishment of technical cooperation and project agreements, the introduction of a clause with respect to due process in case of fraud and associated investigation will be included to ensure full cooperation of partners, taking due note of the principle of confidentiality and investigations requirements, in particular in case of suspicion of collusion and complicity.  | **Implemented**Text was provided by the ITU legal Affairs unit, and this is now standard text in all technical co-operation agreements.  |
| 5 Internal Audit has included in its 2019 work plan to contribute from an assurance viewpoint by conducting audit/inspection/evaluation work in the areas of project management, HQ-RO/AO interaction and controls, BDT actions and impact. | **Implemented** Internal Audit work plan for 2019 has been approved. |
| 6 FRMD in collaboration with BDT/ADM have established procedures for the prudent and effective management of bank accounts and cash in ITUs Regional/Area Offices, in line with the Financial Regulations and Rules (FRR) of the Union. Frequent reminders are sent to RO and AO to ensure the full application of these guidelines.  | **Implemented:** The BDT Director addressed on 23 August 2019 an internal memorandum on “Strengthening Internal Controls” to all BDT staff at professional and above levels. This memorandum covers such topics as banks accounts, petty cash and representation allowance, among others. In addition, FRMD has revised the Cash management and financial guidelines for Regional/Area Offices. |
| 7 FRMD is together with BDT reviewing the relevance and validity of the Basic Rules for procurement of equipment for I.T.U technical cooperation and assistance projects with the aim of establishing one set of procurement policies for ITU.  | **Implemented**These Basic Rules have been abrogated by C-19 and replaced by the new Procurement Manual |
| 8 Monitoring of cumulative PO amounts per vendor against established thresholds was put in place in May 2018 by FRMD. | **Implemented** Procurement has implemented new procedures to do this on a monthly basis  |
| 9 BDT will strengthen the oversight at the project levels by defining of the roles, responsibilities and accountabilities of staff in the project management cycle before, during and after its implementation.   | **In progress: BDT**The procurement process to select a company for the delivery of project management training and certification and the review and update of the new project management manual has been finalized.  |
| 10 An internal working group on strengthening internal controls of BDT (HQ and regional/area with the participation of all the concerned stakeholders from BDT and departments of the General Secretariat).  The task of this group will be to urgently coordinate the development and implementation of an Action Plan for BDT and ITU in general, to address all the initial findings/recommendations from Internal and External Audit. | **Implemented.**2019 Council was advised of the work in progress and a final report will be sent to Council in 2020. |
| 11 BDT Director annual Travel Plan  | **Implemented** |
| 12 Guidelines on use of Representational Allowance and use of petty cash need to be enforced. | **Implemented**The BDT Director addressed on 23 August 2019 an internal memorandum on “Strengthening Internal Controls” to all BDT staff at professional and above levels. This memorandum covers such topics as banks accounts, petty cash and representation allowance, among others. In addition, FRMD has revised Petty Cash guidelines (part of Cash management and financial guidelines). |
| 13 To strengthen expenditure control, the final payment to consultants will not be issued until the results are certified by the proper level in ITU | **Implemented**  |
| 14 Staff member acknowledgement of responsibility on Financial Disclosure form. Form will be enhanced to include specific reference to accountability. Obligation to file annually to extend to all professional staff and Elected officials and potentially to all staff. Service Order 11/03 to be amended. | **In progress: Ethics Office**Concept paper is under review. |
| 15 Strengthen Asset management procedures to include Project Assets, which are not part of the ITU Financial accounting records, in the Asset Register. Establish clear policies and procedures for the control and disposition of project assets during and at completion of the project. | **Implemented**The BDT Director’s internal memorandum on “Strengthening Internal Controls” to all BDT staff at professional and above levels (of 23 August 2019) covers project assets. In addition, the standard clause in project documents on the Transfer of ownership of assets has been further clarified.  |
| 16 Introduction of competitive procedures for selection of consultants: HRMD has prepared a draft procedure for advertising requests for consultants. It has to be submitted to the management for comments and approval. | **In progress: HRMD**The members of the Coordination Committee of ITU have agreed on the principle.  |
| 17 Introduction of procedures to manage and control the use of consultants. Annual limits will be established limiting how much any one person or entity can receive in a fiscal year. | **In progress: HRMD** |
| 18 ITU Travel procedures will be strengthened so staff members are advised on the need for timely submission of travel claims. | **In progress: FRMD**Changes to automatic Email message have been proposed and are under consideration.  |
| 19 Unlike field based organizations like, UNDP and UNICEF, ITU is not big enough to allow for rotation. However, a mobility policy to allow reassignment of staff from one duty station to another is needed urgently. | **In progress: HRMD**Draft policy is under preparation. |
| 20 To supplement existing policies, the status and protections of a Whistleblower need to be established in a new and improved Whistleblower Policy | **In progress: Ethics office**Concept paper is under review  |
| 21 BDT implementation of common IT systems beginning with Budget Control, Travel & Expense and CRM modules. | **In progress: ISD/BDT**Project plan is under finalization. |
| 22 Existing ITU Sponsorship policy needs to be strengthened to prevent fraud | **In progress: SPM**Revised Service Order is under preparation. |
| 23 Full review of ITU Accountability Framework and report to Council 2020. | **In progress: FRMD**FRMD to prepare a report for 2020 Council. |