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| **Virtual consultation of councillors starting 16 November 2020** |  |
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|  | **Document VC-2\11-E****14 January 2021****Original English** |

SUMMARY RECORD

OF THE

SECOND MEETING

Tuesday, 17 November 2020, from 1210 to 1510 hours

**Chairman:** Mr S. BIN GHELAITA (United Arab Emirates)

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|  | Subjects discussed | Documents |
| 1 | Outcomes of discussions held on 16 November 2020 | [VCC-2/DT/1](https://www.itu.int/md/S20-CLVC2-201116-TD-0001/en) |
| 2 | Address by the President of ANCOM (Romania) | - |
| 3 | Preparations for WTPF-21 | [C20/5(Rev.1)](https://www.itu.int/md/S20-CL-C-005/en) |
| 4 | Audited accounts: Audited financial operating report for 2019 | [C20/42(Rev.1)](https://www.itu.int/md/S20-CL-C-0042/en) |
| 5 | External Auditor’s report: Union’s accounts 2019 | [C20/40](https://www.itu.int/md/S20-CL-C-0040/en) |
| 6 | Report of the Independent Management Advisory Committee (IMAC) | [C20/22(Rev.1)](https://www.itu.int/md/S20-CL-C-0022/en) |
| 7 | Report by the Working Group on Internal Controls | [C20/63(Rev.1)](https://www.itu.int/md/S20-CL-C-0063/en) |
| 8 | Report of the Internal Auditor on internal audit activities | [C20/44](https://www.itu.int/md/S20-CL-C-0044/en) |

**1** **Outcomes of discussions held on 16 November 2020 (Document** [**VCC-2/DT/1**](https://www.itu.int/md/S20-CLVC2-201116-TD-0001/en)**)**

1.1 The Chairman invited comments on Document VCC-2/DT/1, which contained the outcomes of the previous day’s discussions. The document would be updated for review on a daily basis.

1.2 The meeting **agreed** to amend the second outcome under the approval of the draft agenda to clarify that documents from the secretariat published after the deadline would remain on the agenda for presentation and discussion, and that any formal consultations related to a late document would only start at a Council session or virtual consultation of councillors a month after publication of the document (the full text of the outcome is presented under §4 of the summary record of the first meeting of VCC-2 (document [VC-2/10](https://www.itu.int/md/S20-CLVC2-C-0010/en)).

1.3 Responding to a query, the ITU Legal Adviser said that Decision 556 did not technically apply to VCCs as it had been agreed that such meetings had no decision-making power and secretariat documents were therefore not calling for decisions. Furthermore, Decision 556 only referred to Council and CWG meetings, and the Council Rules of Procedure also did not technically apply to VCCs.

1.4 One councillor expressed surprise that rules that applied to CWGs should not apply to VCCs, given the higher status of the latter.

1.5 Regarding the draft revised policy for awarding fellowships as contained in Annex 1 to Document [C20/50](https://www.itu.int/md/S20-CL-C-0050/en), several councillors reiterated the importance of fellowships in the context of WTSA. Consequently, the meeting **agreed** to remove the square-bracketed text in Annex 1 to Document C20/50, resulting in the removal of the second outcome under that item in Document VCC-2/DT/1 and the expansion of the consultation by correspondence, as outlined in the first outcome, to cover the approval of the new guidelines (the full text of the outcome is presented under §9 of the summary record of the first meeting of VCC-2 (document [VC-2/10](https://www.itu.int/md/S20-CLVC2-C-0010/en)).

1.6 Document VCC-2/DT/1, as amended, was **noted**.

**2 Address by the President of ANCOM (Romania)**

2.1 The President of the National Authority for Management and Regulation in Communications of Romania (ANCOM) addressed the meeting on behalf of his administration, which was looking forward to hosting the next plenipotentiary conference, his statement can be found via the following link: <https://www.itu.int/en/council/Documents/2020/VCC2-Roumania-ANCOM-President-speech.pdf>

2.2 A short video was played providing a virtual tour of the host city, Bucharest.

2.3 The Secretary-General again thanked the Administration of Romania for the invitation and expressed his confidence in the success of PP-22 against the wonderful backdrop of Bucharest.

**3** **Preparations for WTPF-21 (Document** [**C20/5(Rev.1)**](https://www.itu.int/md/S20-CL-C-0005/en)**)**

3.1 The representative of the secretariat introduced Document C20/5(Rev.1), which described developments in the preparatory process for WTPF-21 and contained a draft schedule for the preparation of the WTPF report by the Secretary-General. He noted that a total of ten draft Opinions were being discussed by the Informal Experts Group (IEG) and that there had been a divergence of views on the number of preparatory meetings required prior to the final event. The virtual consultation was invited to note the report and provide guidance on next steps.

3.2 The Chairman of IEG-WTPF-21 said that an informal working group had been assigned the important task of resolving outstanding issues of terminology. Recalling that each WTPF would normally adopt only four or five Opinions, he said that the current total of ten was excessive and needed to be streamlined. Despite the challenges of working virtually, IEG-WTPF-21 was committed to finding solutions in the allotted time. Nevertheless, he suggested that councillors first decide when and how WTPF-21 would be held and then review the procedure and draft schedule for the preparatory process, as the number of preparatory meetings depended on the location, format and timing of the WTPF.

3.3 Councillors expressed gratitude for the work of the IEG Chairman. Noting the amount of outstanding preparatory work, however, with several further meetings of IEG-WTPF-21 still anticipated, many councillors suggested postponing the Forum. Some suggested a postponement until 2022, while others suggested pushing it back until 2023, given the dense schedule of meetings already slated for 2022. One councillor nevertheless suggested holding the next WTPF immediately before PP-22 in order to take advantage of the policy-making presence and the traditionally lighter workload during the first week of plenipotentiary conferences.

3.4 Other councillors maintained that it would be very challenging to hold even a virtual WTPF in 2021. Some councillors, however, were reluctant to rule out consideration of that option, though it would require a limit on the number of preparatory meetings and draft Opinions in order to streamline the process so that the usual total of six Opinions were adopted.

3.5 While many councillors were satisfied with postponing the WTPF until 2023, other councillors asked that the matter be considered as part of a holistic review of all events and activities over the coming three-year period. Even a provisional decision on postponement until 2022, pending confirmation by the Council, could not be adopted in isolation.

3.6 In that regard, one councillor said that he had sent an e-mail to the secretariat concerning possible ways forward with regard to WTSA, requesting that the secretariat prepare a revised schedule of events and activities to facilitate councillors’ consideration of the timing of each event.

3.7 One councillor noted that the current situation had placed great strain on Member States’ resources and severely limited their participation in the preparatory process. While a virtual WTPF-21 and abbreviated preparatory process could alleviate those pressures, it was worth considering the suspension of the preparatory process if WTPF-21 was postponed until 2023.

3.8 Noting that there was no consensus on the matter, the Chairman said that, in order to accommodate the schedules of the external parties for the following agenda items, the present discussion would be resumed at a subsequent meeting of VCC-2.

**4 Audited accounts: Audited financial operating report for 2019 (Document** [**C20/42(Rev.1)**](https://www.itu.int/md/S20-CL-C-0042/en)**)**

4.1 The representative of the secretariat introduced Document C20/42(Rev.1), which she said set out the financial operating report for the financial year 2019. It presented the audited accounts for the budget, technical cooperation projects, voluntary contributions and the staff superannuation and benevolent funds as well as ITU TELECOM World 2019. The main indicators showed the Union’s immediate financial situation to be healthy.

4.2 The Chief of the Financial Resources Management Department (FRMD), responding to comments from councillors on the allocation of savings, said that the 2019 budget implementation surplus stood at CHF 4.78 million, CHF 3.18 million of which had been allocated in accordance with decisions of Council-19 and Decision 5 (Rev. Dubai, 2018), as indicated in §23 of Document C20/42(Rev.1).The proposed allocation of the remaining surplus was set out in §24 of the document. CHF 1.42 million from the previous surplus had been transferred to the new risk register fund in 2019 and it was planned to allocate an amount in the order of CHF 3.6 million to the fund from the surplus for the 2020 financial year.

4.3 The Chairman took it that councillors wished to conclude that, keeping in mind that those issues were urgent, a consultation by correspondence of Council Member States would be undertaken on the financial operating report on the audited accounts and the approval of the draft resolution in Annex A.

4.4 It was so **concluded**.

**5 External Auditor’s report: Union’s accounts 2019 (Document** [**C20/40**](https://www.itu.int/md/S20-CL-C-0040/en)**)**

5.1 The External Auditor introduced his report in Document C20/40 on the audit of the financial statements for 2019, and noted that the ITU leadership team had responded promptly to the varying number of recommendations and suggestions made in previous years. Outlining the major findings, he said that a qualified audit opinion had been maintained. While the ongoing reforms and improvements were acknowledged, further actions were required, notably in connection with internal controls, procurement, human resources management and ASHI liabilities. He thanked the secretariat for its excellent cooperation and suggested that approaches used during the COVID-19 pandemic, such as remote working, might be taken into account in the preparation of future budget forecasts.

5.2 Councillors welcomed the report. One councillor endorsed the need identified to assess, with a full actuarial study, the impact of underfunding generated by ASHI liabilities on ITU financial health, and took it that the proposal to use of some of the ASHI reserve for the new risk register fund was no longer realistic. He strongly supported recommendation 8 concerning the fraud case and suggested that ITU might wish to make use of the United Nations Office of Internal Oversight Services (OIOS) in implementing the recommendations made. Another councillor expressed her disappointment that a qualified audit opinion had been issued for the second year running, and asked whether steps were being taken to remedy internal control and procurement issues and avoid another qualified opinion being issued for the 2020 financial year.

5.3 The ITU Legal Adviser, responding to comments, explained that the confidential report mentioned in the External Auditor’s report had been drafted following detection of the fraud, providing the basis for disciplinary action against the perpetrator. A second, more comprehensive document had been drafted based on the initial report, to identify individual and systemic failings. The measures planned or implemented by the internal controls team aimed to respond to the latter. As to the former, disciplinary proceedings were ongoing and sanctions would be imposed shortly. Although OIOS was willing to work with ITU, it did not have sufficient resources to provide all the assistance necessary.

5.4 The Chief of FRMD, also responding to comments, said that ITU had participated actively in a United Nations working group on ASHI examining long-term financing, which was recommending the application of a 5.5 per cent increase to future budgets for the hiring of new staff. In efforts to replenish the ASHI fund, ITU would apply that recommendation as from January 2022 if it was approved by the United Nations General Assembly. Having outlined various elements contributing to ongoing degradation of the ASHI fund and difficulties regarding actuarial forecasting, he said that the Union would conduct a comprehensive actuarial study, in line with expert opinions and recommendations. In order to mitigate the impact of the deficit linked to ASHI liabilities, ITU had joined the United Nations Staff Mutual Insurance Society against Sickness and Accident (UNSMIS) in January 2020, following consultations with retirees, staff and management.

5.5 The External Auditor, responding to comments, said that all pending recommendations were in progress and their implementation simply required more time. His team was monitoring the implementation process. Any serious problems would be highlighted in the External Auditor’s report and, if critical, reflected in the annual certification. With regard to certification of the 2020 financial statement, improvements had been made and efforts were ongoing to solve the main issues.

5.6 The Chairman took it that councillors wished to conclude that, keeping in mind that that item was urgent, a consultation by correspondence of Council Member States on the approval of the accounts as audited in Document C20/40 would be undertaken.

5.7 It was so **concluded.**

**6 Report of the Independent Management Advisory Committee (IMAC) (Document** [**C20/22 (Rev.1)**](https://www.itu.int/md/S20-CL-C-0022/en)**)**

6.1 A member of IMAC introduced,on behalf of the Chairman of IMAC,Document C20/22 (Rev.1) containing IMAC’s ninth annual report, which set out the committee’s views on a number of topics, including internal controls and processes, ASHI, the headquarters construction project, and the appointment of the new external auditor. Three formal recommendations had been made concerning the strengthening of the internal audit unit, the strengthening of the HRMD ERP system and the resolution of outstanding recommendations. He thanked the External Auditors, the Secretary-General and the various units of the General Secretariat for their extensive cooperation and the Director of BDT for her clarity of engagement and the strategy on the follow-up of implementation.

6.2 The Chairman thanked the members of the IMAC for their work.

6.3 One councillor expressed concern about the number of IMAC recommendations that remained in progress. Another drew attention to the human resources deficit in the Internal Audit Unit mentioned in the IMAC report.

6.4 The Chairman took it that councillors wished to conclude that, keeping in mind that those issues were urgent, a consultation by correspondence of Council Member States would be undertaken to approve the IMAC report and its recommendations for action by the secretariat.

6.5 It was so **concluded**.

**7 Report by the Working Group on Internal Controls (Document** [**C20/63(Rev.1)**](https://www.itu.int/md/S20-CL-C-0063/en)**)**

7.1 The Director of BDT introduced the report by the Working Group on Internal Controls in Document C20/63(Rev.1), which she said provided an overview of actions taken by the working group to date and of measures under implementation. The compliance dashboard developed to assess inherent and residual risks and the effectiveness of mitigation measures would become a corporate tool for ITU. She thanked IMAC and the External Auditor for their constructive feedback and recommendations, and reassured councillors that ITU, which had a zero tolerance policy on fraud, abuse of authority, misconduct and harassment, would take all measures to continue to uphold the principles of transparency, accountability and ethical leadership.

7.2 Councillors praised the prompt action taken by the Director of BDT in response to the fraud case and one councillor called for accelerated efforts concerning procedures for the selection of consultants. Another councillor emphasized the importance of ensuring that all recommendations were implemented. A further councillor stressed the need to harmonize ITU’s recently published policy on reporting misconduct with that of other United Nations bodies.

7.3 Responding to questions and comments, the Director of BDT said that the working group would continue its activities until all actions had been completed. It had provided regular reports to CWG-FHR and would be pleased to continue to report to the Council, as appropriate. Regarding recruitment, the process for posts funded from the regular budget was the same for regional offices and for headquarters. When hiring experts to work on projects or implementation of the operational plan, BDT used a recruitment roster. Steps were being taken to align that approach with the Union’s institutional recruitment process, with a view to developing a single recruitment system. The new compliance dashboard would help to monitor progress with respect to the implementation of recommendations.

7.4 The Chairman took it that councillors wished to conclude that, keeping in mind that those issues were urgent, a consultation by correspondence of Council Member States would be undertaken to note the report of the Working Group on Internal Controls.

7.5 It was so **concluded**.

**8 Report of the Internal Auditor on internal audit activities (Document** [**C20/44**](https://www.itu.int/md/S20-CL-C-0044/en)**)**

8.1 The Internal Auditor introduced his report in Document C20/44, which provided information on the orientation and scope of internal audit activities for the period from May 2019 to April 2020, including the investigations undertaken and an overview of assurance engagements. It also summarized the involvement of the Internal Audit Unit in the selection processes for the External Auditor and the forensic audit mandated by Council Decision 613, and reported on the implementation of recommendations of previous audit reports.

8.2 Responding to comments, he said that the role of the Internal Audit Unit in the selection of the External Auditor had been limited to the provision of secretariat support to the Appraisal Committee. Document [C20/78](https://www.itu.int/md/S20-CL-C-0078/en) on the creation and funding of a new investigation function was to be discussed during the current virtual consultation. He provided an update regarding the recruitment of a forensic audit firm, noting that the timelines for delivering a forensic audit report to Council-21 were expected to be met.

8.3 Responding to the concerns of some councillors, he said that some of the pending recommendations were duplicates, relating to recurrent or persistent issues. Some of them had since been implemented. In that regard, he noted the prompt action taken by the Director of BDT in response to the recommendations of the Internal Audit Unit. The unit closely monitored the status of recommendations and IMAC was also regularly appraised of progress in that regard.

8.4 The ITU Legal Adviser, responding to comments on the case of fraud in a regional office, said that the Secretary-General had decided to prosecute the main perpetrator and any potential accomplices. The case would be brought before the national courts in Thailand and a legal team had been appointed to represent ITU. Discussions with the Thai authorities and the national anti-corruption committee were ongoing, with a view to broadening the scope of the investigation. The decision had been taken previously to freeze the main perpetrator’s pension fund assets, but funds could not be recovered without judicial authorization.

8.5 The councillor from Thailand provided further information regarding the fraud case. Throughout the previous year, the National Broadcasting and Telecommunications Commission of Thailand had worked closely with ITU and facilitated contact with the relevant national agencies. There was zero tolerance for fraud in Thailand and the Commission was ready to provide further assistance to ITU, as and when necessary.

8.6 The Director of BDT, replying to a comment on project management, said that steps were under way to review roles and responsibilities, examine due diligence issues, update job descriptions and include new references in the performance management system. Steps had also been taken to train project management staff and to establish an accountability framework, including by creating a project board, with a view to improving the design, planning, implementation, evaluation and oversight of projects. A new BDT post had been created to monitor reporting and evaluation.

8.7 One councillor welcomed the fact that the recommendations made by the Internal Auditor, External Auditor, IMAC and the United Nations Joint Inspection Unit were being taken seriously. It was vital to swiftly and fully implement all the recommendations contained in Document [C20/74](https://www.itu.int/md/S20-CL-C-0074/en) (PricewaterhouseCoopers report on reviewing the ITU regional presence) in order to correct shortcomings and attenuate risks. Efforts to introduce framework policies and processes required exemplary management practices.

8.8 The Chairman took it that councillors wished to conclude that, keeping in mind that those issues were urgent, a consultation by correspondence of Council Member States would be undertaken to note the report of the Internal Auditor on internal audit activities.

8.9 It was so **concluded**.

The Secretary-General: The Chairman:

H. ZHAO S. BIN GHELAITA

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