Council 2022
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Report by the Secretary-General

EXTERNAL AUDIT

Summary

The External Auditor's report covers the audit of the financial statements for 2021.

Action required

The Council is invited to examine the External Auditor's report on the accounts for 2021 and to **approve** the accounts as audited.

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References

Financial Regulations (2018 Edition): _Article 28 and additional terms of reference_

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REPORT OF THE EXTERNAL AUDITOR

**INTERNATIONAL TELECOMMUNICATION UNION
(ITU)**

Audit of the Financial Statements for 2021

5 September 2022

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INTRODUCTION

The legal basis for the audit carried out by the External Auditor is set out in Article 28 of the *Financial Regulations* (2010 edition, updated finally in 2018) and the Additional terms of reference.

This report informs the Council of the results of our audit.

The audit looked at the ITU's Financial Operating Report at 31 December 2021, the budgetary accounts and their consistency.

The financial periods are governed by the Constitution and Convention of the International Telecommunication Union, and by the ITU's *Financial Regulations and Financial Rules,* in accordance with the International Public Sector Accounting Standards (IPSAS).

We carried out the audit of the accounts for the Financial Year 2021 based on the standards issued by the International Organization of Supreme Audit Institutions (INTOSAI) and the IPSAS regime, and in line with the additional terms of reference that form an integral part of the Union's Financial Regulations.

Results of the audit activities

All questions were discussed and clarified, also through videoconferences, emails' exchange and telephone calls with the officials responsible. The team had regular discussions with Mr. Alassane Ba, Chief of ITU's Financial Resources Management Department, and with members of his staff or staff in other departments, depending on the subject matter under consideration.

The result of the audit was communicated to the Management on 31 August 2022.

Pursuant to §9 of the Additional terms of reference governing the external audit, the Secretary-General informed us, through his staff, that he would be sending us his comments for inclusion in this report. Those comments were received on 4 September 2022 and were duly incorporated in the report.

We audited the ITU's financial operating report on the Organization's accounts relating to the financial results as of 31 December 2021, presented in compliance with Article 28 of the *Financial Regulations*.

A Management report referring to the accounts for the Financial Year 2021, digitally signed by the Secretary-General and the Chief of the Financial Resources Management Department on 11 March 2022, was included in the Financial Statements and is an integral part of the audit documentation.

Furthermore, we also received the Statement of Internal Control for 2021, digitally signed by the Secretary-General on 11 March 2022

We reported on the results of our audit activity on FS2021 and highlighted our findings by issuing "Recommendations" and "Suggestions". Whilst Recommendations fall under the follow-up process carried out by the Council Working Group on Financial and Human Resources, Suggestions are only followed up by the External Auditor. However, in principle, the ITU Council, following advice from the Independent Management Advisory Committee (IMAC), may ask the Secretary-General to implement a "Suggestion", where deemed necessary.

We also audited the ITU TELECOM World accounts for 2021, in accordance with Resolution 11 (Rev. Busan, 2014) resolve no. 6; due to the pandemic, as already happened in 2020, the event was held virtually also in 2021, maintain its new name of "Digital World". For this reason, we are not presenting a separate report for the event; we included some paragraphs related to the Digital World accounts, which are consolidated in the ITU FS, in this long-form report.

Finally, we wish to express our appreciation for the courtesy and helpfulness shown by all the ITU officials whom we asked for information and documents, even in the current challenging circumstances.

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AUDIT CERTIFICATE

Opinion

We audited the financial statements of the International Telecommunication Union (ITU), which comprise the statement of financial position as at 31 December 2021, the statement of financial performance, the statement of changes in net assets, the table of cash flows and the comparison of budgeted amounts and actual amounts for the 2021 financial period, as well as notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the International Telecommunication Union (ITU) as at 31 December 2021, and its financial performance, its changes in net asset, its cash flows and its comparison of budgeted and actual amounts for the year then ended, in accordance with IPSAS and the Financial Regulations and Financial Rules of the ITU.

Basis for Opinion

We conducted our audit in accordance with the International Standards of Supreme Audit Institutions (ISSAIs), and the ITU Financial Regulations and Financial Rules. In the field of financial statements audit, the ISSAIs are based directly on the International Standards on Auditing (ISAs). The Corte dei conti applies the provisions of the ISAs insofar as they are consistent with the specific nature of its audits. Our responsibilities under these standards are further described in the section of our report on the Auditor's Responsibilities for the Audit of the Financial Statements. We are independent of the ITU in accordance with the ethical requirements relevant to our audit of the financial statements in the United Nations system, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

The ITU Secretary-General is responsible for the other information. The other information comprises the presentation of the "financial key indicators", shown by the Secretary-General in his foreword to the Financial Operating Report.

Our opinion on the financial statements does not cover this other information and we do not express any form of assurance conclusion in this regard.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or the knowledge obtained in our audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report this. We have nothing to report in this regard.

Responsibilities of the ITU Secretary-General and Those charged with governance for the Financial Statements

The Secretary-General is responsible for the preparation and fair presentation of the financial statements in accordance with International Public Sector Accounting Standards (IPSAS), and for such internal control as the Secretary-General determines to be necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Secretary-General is responsible for assessing the ITU's ability to continue as a going concern, disclosing, as applicable, matters related to the going concern and using the going concern basis of accounting unless the Secretary-General either intends to liquidate the Organization or cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the ITU's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements, as a whole, are free from material misstatement, whether due to fraud or error, and issue an audit report that includes our opinion. Reasonable assurance is a high level of assurance, but it is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when one exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We, also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the overriding of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the ITU's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, decide whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ITU's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the ITU to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and assess whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with Those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Other Legal and Regulatory Requirements

Furthermore, in our opinion, the ITU's transactions that came to our notice or that we tested as part of our audit were, in all significant respects, in compliance with the ITU Financial Regulations and Financial Rules and its legislative authority.

In accordance with the ITU's Financial Regulations and Financial Rules (Article 28) and the additional terms of reference governing External Audit (Annex I to these

Financial Regulations and Financial Rules), we also issued a detailed report on our audit of the ITU Financial Statements for 2021.

Emphasis of matter – Impact of actuarial liabilities

We draw attention to the fact that the Statement of financial position shows a negative Net Asset (-412.7 MCHF), mainly due to the impact of 570 MCHF in actuarial liabilities relating to long-term employee benefits recorded in the financial position. Details of our analysis are included in our report. Management is acting according to its competences and powers and is constantly monitoring the situation. Council is warned on the need to consider further actions in a long-term perspective. Our opinion is not modified in respect of this matter.

Rome, 5 September 2022

Guido Carlino
President of the
Corte dei conti
(original digitally signed)

STRUCTURE OF THE ACCOUNTING STATEMENTS

1. ITU's Financial Statements, prepared and presented in compliance with IPSAS 1, include the following elements:

    - Statement of financial position – Balance sheet at 31 December 2021 with comparative figures as at 31 December 2020 showing Assets (divided into Current and Non-current assets), Liabilities (divided into Current and Non-current liabilities) and Net assets;

    - Statement of financial performance for the period ended 31 December 2021, with comparative figures as at 31 December 2020 showing the Surplus/Deficit for the financial year;

    - Statement of changes in Net Assets for the period ended 31 December 2021, showing the value of the Net assets including the surplus or deficit for the Financial Year as well as losses directly recorded in Net assets without impacting the Statement of financial performance;

    - Table of cash flows for the period ended 31 December 2021, showing the inflow and outflow of cash and cash equivalents, regarding the operational, investments and financing transactions and the treasury totals at the end of the financial year;

    - Comparison of budgeted amounts and actual amounts for the 2021 financial period;

    - Notes to the financial statements providing information about accounting policies and additional information necessary for a fair presentation.

STATEMENT OF FINANCIAL POSITION 2021

ASSETS

2. In 2021, Assets amounted to 423.4 million Swiss Francs (MCHF), with an increase of 14.4 MCHF (+3.5%) compared with the value recorded in 2020 (409 MCHF).

3. They consisted of Current assets, amounting to 320.9 MCHF, representing the 75.8% of Total Assets (in 2020, they represented 74%) and Non-Current Assets, amounting to 102.5 MCHF, representing 24.2% of Total Assets (26% in 2020). The basis for the evaluation of Assets is given in the Main Accounting Principles (Note 2).

Current Assets

4. Total Current assets in 2021 amounted to 320.9 MCHF, representing an increase of around 18.3 MCHF (6.1%) as compared to 2020 (302.6 MCHF). Examining the movements in the sub-headings, we observed that the overall increase was due to the increase of "Cash and cash equivalents" (+31 MCHF). On the contrary, a decrease was registered in "receivable for non-exchange transactions" (-13.9 MCHF, that is +18.17%).

Asset management and asset register: an historical background

5. At the beginning of our mandate, having found that items were not always accurately recognized in the asset register, we issued the recommendations n. 1/2012 and n. 4/2012 on the accuracy of the mentioned register. In order of enhancing the effectiveness of ITU asset management, we recommended that all items should be properly labelled and recorded in the fixed asset register, taking into consideration that Financial Regulations and Rules, 2010 Edition, Article 18, Rule 18.6 point 2, required that any assets having a unit value exceeding CHF 5,000 should have been inventoried and entered in the accounting. Moreover, in general terms, we have always pointed out to Management that an asset register is effective when accurate information is included, like the actual location or the assignment to a staff(for instance, the various assignments in percentage of utilization, recording of movements, etc.).

6. Then Management acted to implement the mentioned recommendations, producing a list of "not found items", which has been followed up during all the following years.

7. Successively, concerning specifically the physical inventory of IT equipment, in our report for the financial year 2019 we required, issuing a new recommendation (n. 1/2019), to enhance the responsibility of individual staff in updating IT inventory records with the correct location of these devices. In 2020, due to the pandemic, the staff was quite totally authorised to work remotely (with some few exceptions, for essential services). We recognize that tracking this equipment requires human and time resources, and this is not easily feasible. A Service Order 17/10 established the responsibility of the individual staff in validating and updating their inventory records. Nevertheless, at that time it was admitted that there were pieces of equipment that had not yet been correctly registered.

Despite management and officers' efforts, accuracy in the Asset register should be enhanced.

8. We carried out the annual physical stock checking, based on a sample of items selected from the assets' register and we traced if all the tested items were properly recorded in the accounting system.

9. During our audit, we observed that some items listed in the asset register were not accurately recorded, having found that: 1) their physical location did not correspond to the one indicated in the register, or 2) they were not recorded, or 3) their status was indicated as "active" in the register meanwhile they were dismissed or ready for dismissal.

10. We acknowledged, at this regard, that a moving from a building to another one is in progress; moreover, as reported in the Financial Statement 2021 in Note 11, due to pandemic, staff are frequently working remotely and tracking this equipment is not easily feasible. However, Management ensured us that their objective is the safeguard of all assets.

11. Conclusively, we acknowledge the efforts of Management in the identification and localization of assets "not found", especially now during the process of moving from a building to another one; however, we underline the importance that Management continue to monitor the implementation of the procedure for Assets' inventory conducted with periodic verification exercises, to quickly achieve the goal that all items are in the register and assigned to specific staff. Moreover, a stricter policy dedicated to assignment and use of IT equipment should be implemented.

Recommendation n. 1

12. In relation to the current inventory, our audits revealed that some items were not labelled. We were informed and we verified that a process related to a move of assets from a building to another one is in progress; therefore, even acknowledging the difficulties in tracking items' actual location, <u>we recommend</u> monitoring constantly and accurately this process of relocation, in order to enhance the accuracy and completeness of the asset register, safeguarding ITU's assets.

<u>Comments by the Secretary-general:</u>

ITU takes note of this recommendation.

Dismissal of assets: an enhanced procedure is needed

13. Concerning the dismissal of assets, we observed that a procedure is in place, foreseeing that a request of write-off and disposal should be submitted by a service by filling a form and then approved with a double signature: of the Head of Logistic service and of the of the Head of Asset Management Unit.

14. However, as already mentioned, during our physical verifications we observed that sometimes, especially for old items, their status was indicated as "active" in the asset register meanwhile we found that they were ready for dismissal or already dismissed. On the contrary, we also observed that some assets have been dismissed through direct sales to staff, but, in our opinion, they had still a useful life and a residual value.

15. In addition to the situation registered in past years, due to the ongoing process of relocation, a quantity of items has been recently written-off and dismissed, or sold to the staff, and Management informed us that intends to proceed in this way. According to Note 11 in the Financial Operating report 2021, the total of disposals was totally over 2.5 million CHF, and among them: around 1.4 million CHF of IT equipment; 929 kCHF of low value assets; 112 kCHF of pieces of furniture; 43 kCHF of machineries.

Recommendation n. 2

16. Considering that, in our opinion, the adopted procedure does not provide sufficient assurance that assets under dismission are really at the end of their expected life, in order to mitigate risks of loss of assets with a useful life and a residual value, <u>we recommend</u>: 1) enhancing the monitoring of the conditions of assets, such as the useful life, its residual value and/or any impairment loss; 2) assessing their real obsolescence through a dedicated Committee, before deciding their write-off; furthermore, this Committee should be technically competent and composed of staff not in charge of the acquisition and management of the assets during their useful life; 3) implementing a stricter procedure operated by the mentioned Committee of evaluation of the items, in particular in case of selling assets to staff.

<u>Comments by the Secretary-general:</u>

ITU takes note of this recommendation.

Cash and cash equivalent

17. The sub-heading "Cash and cash equivalent", totalling 130.4 MCHF, increased by 31.2% compared to 99.4 MCHF in 2020; it included cash in hand and all the balances of ITU postal and bank current accounts as of 31 December 2021. A detailed breakdown of Cash and cash equivalent is shown in Note 6 of the Financial Operating Report.

Effective enhancement of internal controls in treasury management through an extensive utilization of banks' confirmations

18. As every year, we asked all the banks and financial institutions with business relations with ITU to confirm the current account balances as of 31 December 2021.

19. At the beginning of our mandate, 10 years ago, we asked Management to introduce a new model for bank's account confirmation: ITU agreed to attach to the confirmation letter standard form a detailed checklist, in order to increase the level of assurance in all aspects of treasury management. For instance, the checklist enclosed on one side obliged counterparties (banks, financial institutions, cash deposit owner, etc.) to provide in specific boxes detailed information over, for example, signature powers and, if existing, further current accounts, safe boxes, warrants, investments, deposits, etc. And, on the other side, that helps both Auditors and Management to detect inconsistencies and/or unrecorded liabilities showed in the confirmation letter.

20. As a matter of fact, in relation to the accounts related to treasury (for instance: Cash and cash equivalents), the confirmation letters and the above-mentioned checklists answered directly by counterparties and delivered directly to the External Auditor (and in copy to Management), jointly with alternative procedures, provided us, during our 10-year mandate, a sufficient level of assurance on the reliability and correctness of the balances recorded in the financial statements for Cash and cash equivalents.

21. At the same time, confirmations and the related detailed checklists, directly received from banks during the years, showed sometimes irregularities, like wrongly updated lists of signature powers, that Management promptly corrected or duly investigated

22. Moreover, since the beginning of our mandate we recommended to closely monitor the procedure requiring a dual signature in committing ITU in financial

matters for amounts over CHF 5.000,00 (rec. no. 1/2013 and rec. 1/2018; please see also below, para. 32).

23. This year, with reference to 2021 financial year we did not receive the requested confirmation letters from 7 banking institutions out of 27 (corresponding to 9 accounts, namely to one account at Headquarters, seven at field offices and two related to TELECOM WORLD events, as referred by Management).

24. We underline that, as stated above, effective audit procedures require External Auditors to directly receive bank's confirmations, otherwise letters declared as arrived to ITU, and not received by us, should be considered by the auditor only as a document for a more efficient alternative audit procedure but not sufficient to provide a full assurance on balances recorded in the accounting.

25. In the table below is shown the situation and statistics of the confirmation letters received this year, reporting also when a confirmation letter never arrived to us in the 10-year of mandate.

Banks[1]	Active accounts as declared by ITU	Letter to Auditors Ref. to 2021	Letters to Auditors in all 10-years
Bank 1	1	NOT RECEIVED	NEVER RECEIVED
Bank 2	2	NOT RECEIVED	RECEIVED only for the first financial 2 years (2012 and 2013)
Bank 3	1	NOT RECEIVED	RECEIVED in past years except for financial years 2014, 2018 and 2019
Bank 4	1	NOT RECEIVED	RECEIVED in past years except for financial year 2012 and 2015
Bank 5	1	NOT RECEIVED	RECEIVED in past years except for financial year 2020
Bank 6	1	NOT RECEIVED	RECEIVED in past years except for financial years 2014 and 2015
Bank 7	2	NOT RECEIVED	RECEIVED in past years except for the financial years 2017-2018-2019-2020
7 Banks	9		

26. Being the financial year 2021 the last audit year of our mandate, we can summarize that, for the entire period, we have then never received direct confirmation letters for 1 account (bank n. 1), and in the other cases the level of confirmation letters received by us is low, as represented in the table above, excluding the accounts closed by Management during these 10 years.

27. In relation to the closed accounts, we highlight that in past years, turning back to the beginning of our mandate, we never received direct confirmation from a bank, and, successively, Management declared that the account at this bank was closed in 2014. Then at the same bank two accounts were opened in 2017 when an event was held in the Country where this bank is located; we received the

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[1] Please note that the Management is aware of the specific names of the banks reported.

statement for the financial year 2017, recently we were informed that three accounts are active at this bank but since then we never received any correspondence from this banking institution.

28. We would like to highlight that our standard letters of confirmation not only request for balances but also require that third parties provide us directly with several data that, if not received directly from banks and financial institutions, might not be disclosed to us through standard alternative procedures on aforementioned bank accounts.

29. In our past reports on the lack of banks' confirmations we always underlined the importance of this issue for obtaining reasonable assurance and, moreover, the fact that the confirmations' rate is low. We acknowledged and recognize, at this regard, that Management made strenuous efforts in sending reminders to banks during all 10 years in order to let us obtain the confirmations.

Recommendation n. 3

30. In order to enhance the efficiency and effectiveness of internal controls on treasury especially at field level (e.g., on signature power), we recommend that Management strengthen the internal process of verification of the confirmation letters related to balances, in particular of current accounts opened locally, through an effective assessment of information gathered directly from banks (e.g., the confirmation letters or other alternative supporting documents). In particular, for accounts where we have never received a confirmation letter for 10 years and also in case the rate of receipt of them was low, we recommend promptly initiating a due diligence check of these accounts on the correctness of signatory powers and searching for potential unrecorded liabilities, through a review carried out by a unit independent of local Management, or better, independent of staff directly operating the accounts. The outcome of this work, carried out by people independent of the staff involved in the daily management, could not only enhance the level of internal controls in the management of the field treasury, but also lower the level of reputational risk potentially linked to the risk of fraud, in particular at the field level. Nevertheless, same principles should operate also at Headquarters' level, when necessary.

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31. At the same time, <u>we</u> also <u>recommend</u> that Management, if unacceptable level of risks might arise from some of these accounts where a direct confirmation has never received, explore the possibility of closing some of these accounts and/or assess the opportunity of using alternatives provided in the UN system, if deemed effective and reliable (for instance, UNDP), or other institutions operating in that area.

Comments by the Secretary-general:

ITU takes note of this recommendation. ITU manages carefully all the bank accounts at Headquarter and Regional level. All the bank statements for bank accounts are received and reconciled on an monthly basis for daily active accounts and annual basis for some opened for events. All the bank statements have been made available to the external auditors for checking. Every year all the audit confirmation requests have been sent to all the banks and a follow up with several reminders and also involvement of the Regional Directors/Head of Area office was done. We agree that some banks don't reply directly to the external auditors or don't use the attached form as requested but this is unfortunately not under ITU control. Each bank has its own audit confirmation letter which ITU cannot change.

The decision of closing the banks account previously opened for TELECOM event has been made. All the closing requests have already been sent to the banks.

Enhancing internal controls on dual signature to operate bank accounts

32. As already mentioned in the previous paragraphs, at the beginning of our mandate, we verified the signatories' power to operate bank accounts and we found that in Financial Regulations (edition 2010, Article 16, Rule 16.1) the dual signature of officials was required in committing ITU in financial matters for amounts equivalent to and more than 5,000 CHF.

33. Then, during our 10-year audit we noted relevant inconsistencies: in receiving the confirmation letters from banks, there were discrepancies between the signatures' lists kept at Headquarters and the lists as declared by the banks in their letters; for instance, banks were still considering, as delegated to sign, staff retired or not working anymore at ITU.

34. Moreover, considering all the confirmations received from banks this year and in the 10-years mandate, we found that, in some cases, in banks' confirmation letters directly received by us there was no mention of the threshold above which

the dual signatures was required. This prescription was inserted by Management in an Internal Note (of June 2014, modified in July 2014) with the requirement of the joint signature above 5,000 CHF for banks at Headquarters and above 5,000 USD for banks for field Offices.

35. In this regard, although Management informed us that individual signing rights are sometimes needed in the Regional Offices, where the separation of duties is not feasible given the small number of staff on site; we recognize that Management made always efforts in following up this situation; however, we consider important that Management will explore adequate alternatives to enhance the effectiveness of internal controls.

Recommendation n. 4

36. According to our relevant paragraph in this and previous reports when dealing with frauds happened and detected, we consider that recognizing the single signature authority locally could increase the risk of fraud; this fact led us to conclude that this requirement concerning transactions above 5,000 CHF is not sufficient to ensure an adequate fraud prevention; therefore, we recommend lowering this threshold or, in order to minimize risks, to consider its abolishment, authorizing banking movements only when a dual signature is guaranteed.

Comments by the Secretary-general:

As already done ITU will continue to monitor the updates of the signatories and request changes if discrepancies are known. On ITU side any changes in signatories are communicated to all banks but the instructions are not always timely registered by the banks. All the supporting document showing the requested updates on signatories have been provided to the auditors.

The possibility to decrease/abolish the threshold will be further investigated and put in place when possible, considering the restricted staff on site. This should not impact the current activities of the Regional/Area offices. We want also outlined that all the internal control and reconciliation are done at the headquarter level on a monthly basis which decrease and prevent the risk of fraud.

Investments

37. In 2021, the sub-heading "Investments" amounted to 95 MCHF, similarly to 2020 (95.5 MCHF), and it included fixed-term investments with a maturity of no more

than 6 months from 31 December 2021. A detailed breakdown of Investments by date of maturity is shown in Note 7 to the Financial Operating Report.

38. In Note 2 of the Financial Operating Report, regarding Main Accounting Principles, the specific paragraph on Financial Instruments provides information on the disclosure of Investment. In accordance with IPSAS, Note 4 provides information about Financial risk management; in particular, all Investments are exposed to a credit risk, as well as interest rate, liquidity, market risks and currency risks.

Receivables

39. Current receivables, whether for exchange or non-exchange transactions, had a net worth of 87.9 MCHF in 2021, compared to 97.8 MCHF in 2020. They represented around 27.4% of the total current assets compared to 32.3% in 2020.

40. As stated in Note 8 to the Financial Operating Report, they represent the uncollected revenue that Member States, Sector Members and Associates are committed to paying to ITU for annual contributions, the purchase of publications, satellite network filings and other invoices issued by ITU.

41. Non-current receivables, as also illustrated in Note 8, were present only for non-exchange transactions and amounted to 6 MCHF (6.5 MCHF in 2020). They were fully provisioned at 31 December 2021, in line with the principles described in Note 2 to the financial statements.

Other current receivables

42. An amount of 7.1 MCHF (9.4 MCHF in 2020) is shown in the closing balance sheet under other receivables. A detailed breakdown of "other receivables" is shown in Note 10 to the Financial Operating Report.

Inventories

43. In 2021, items related to publications, souvenirs and supplies were recorded at a net value of 0,47 MCHF (0.46 MCHF in 2020). Inventories are detailed in Note 9 to the Financial Operating Report, which shows slight increases in the net value of Publications (a lower gross value but a still lower depreciation) and of Supplies.

Non-current assets

44. Non-current assets as of 31 December 2021 totalled around 102.5 MCHF; they showed a small decrease of 3.9 MCHF (-3.7%) compared to 2020, when they amounted to 106.4 MCHF.

45. It is worth mentioning the recording of the sub-heading, in the same way as for the current assets, called "Deferred expenses – UNSMIS", with an amount of 16.3 representing 15.9% of total non-current assets (17.4 MCHF in 2020; 16.4% of total non-current assets).

46. This aside, the heading was composed of the usual sub-headings, which are: "Property, plant and equipment", amounting to 71.7 MCHF, or 70% of total non-current assets (in 2020 it was 78 MCHF, or 73.4% of total non-current assets), "Intangible assets", amounting to 0.8 MCHF, or 0.8% of the total (in 2020, it was 1.4 MCHF, or 1.4 %) and by "assets under construction", 13.7 MCHF (in 2020 amounted to 9.4 MCHF), or 13.4% of total non-current assets. The first two sub-headings are illustrated in Notes 11 and 12 to the Financial Operating Report respectively. Note 13 shows the sub-heading "assets under construction".

Property, plant and equipment

47. This heading showed a value of 71.7 MCHF, which was the net value, at 31 December 2021, of the capitalised cost minus the related depreciation. The main categories refer to buildings (a net value of 70.2 MCHF was recorded in 2021; 77 MCHF in 2020) and to IT equipment (a net value of 1.2 MCHF in 2021, 0.8 MCHF in 2020). These are illustrated in Note 11 to the Financial Operating Report.

48. IPSAS 1 requires that buildings should be recognised as assets in the Statement of the financial position. For the initial recognition, IPSAS 17 states that reference must be made to the costs of these items or to a reliable fair value. Depreciation is charged systematically over the asset's useful life, and the depreciation method must reflect the pattern in which the asset's future economic benefits or service potential is expected to be consumed by the entity. The residual value must be reviewed at least annually and must equal the amount the entity would receive currently if the asset were already of the age and condition expected at the end of its useful life. Land and buildings are separable assets and are accounted for separately, even when they are acquired together.

49. According to Annex II to the ITU Financial Regulations, the External Auditor has to express whether "procedures satisfactory to the External Auditor have been applied to the recording of all assets, liabilities, surpluses and deficits".

50. In Note 2 to the Financial Operating Report "Main accounting principles", sub paragraph "Property and equipment", it is stated that the initial recognition of buildings was performed at the "*intrinsic value*" "*on the basis of the study conducted by an external consultancy*", in order to establish the IPSAS opening balance sheet value. This was considered the "historical cost", and the

depreciation was realized referring to an "*estimated useful life*" which was 100 years for the structure. The land on which ITU has a free-of-charge "right of superficies" was not considered in determining the initial value of the buildings.

51. The Swiss Confederation grants funding for the construction of buildings for international organizations through the "Fondation des immeubles pour les organisations internationales" (FIPOI), in the form of a loan on favourable terms, i.e. a period of 50 years at an interest rate of 0%. As already said, the land is provided free of charge by the Canton of Geneva via a "droit de superficie" (right of superficies). The value of borrowings from the FIPOI is illustrated in Note 16 to the Financial Operating Report, which also reports that the reimbursement of the loan for the new premises will only start after the successful delivery of the new building at beginning of 2026 at the earliest.

52. In the first year of our mandate, we issued Recommendation n. 3/2012, related to the renegotiation of the Host State Agreement. We are following up that recommendation: an ITU/Host country Working Group, composed of representatives from the ITU, the Canton of Geneva (landowner), the Swiss Confederation and FIPOI, was created in 2017 to discuss specifically the issue of the "droit de superficie". As of November 2021, we have been informed that "*It was agreed with the Authorities of the Host Country that it was not necessary, at this stage, to modify the current "droit de superficie" contract (DDP) until the settlement of pending issues relating to the peripheral security, the lie of the DDP and the possible sale of the Tower*". Once the agreement has been finalised, residual book values should be adjusted accordingly.

53. As stated in Note 13, in 2019 Management decided to disclose separately the cost of the additions (370 kCHF as at 31 December 2021) from the costs related to the buildings under construction (13,362 kCHF) "*in order to anticipate on the new building project and thus allow for a transparent follow up of the project during the construction phase*".

THE ITU HQ BUILDING.

54. In this part of our report, we offer a general view about the subject regarding the current and the possible situation of the ITU HQ building.

55. We are aware of the issuance, on 1 June 2022, of the Internal Audit report "Audit of the ITU new Headquarters Project". Such report contains elements, which have been considered also by the External Auditor. We will not repeat in this report the general information contained in the Internal Audit report.

56. The following paragraphs, however, are focusing more on a general view on the financial sustainability of the project and of its fulfilment, and on the related risks. The evaluation elements we have considered are based on the information provided by the organization and on the documents available.

The "Surface Convention" between the State of Geneva and ITU

57. With a contract signed in 1967 – this is still valid in many of its clauses – a "right of superficies" (*droit de superficie*) was established by the State of Geneva in favour of the ITU. In such contract there was a certain composition of the funds divided into parcels, which together constituted the right surface; however, the original arrangement of the parcels has undergone several changes over the years, regulated by subsequent acts.

58. In particular, with acts that modified the structure of the parcel (in the years 1985, 1997, 2006 and 2021), the Geneva Canton had the opportunity to separate and recompose some parcels of the adjacent funds; consequently, the original structure of the parcel, on which the right of superficies weighs, changed over the years. Clauses on the liability of the ITU were also inserted. The documents examined show that all clauses were accepted by the ITU.

59. With the 1967 contract, the ITU obtained the right of superficies, and paid 5 million CHF for the buildings that at that time existed on the parcel (Article 4 of the contract for the constitution of the easements signed in 1968). The payment gave to ITU the ownership of such buildings which were then demolished by ITU to build their own building, but the purchase for 5 million CHF did not confer ownership of the land of those buildings.

60. The duration of the contract granting the right of superficies to the ITU has recently been amended and its expiration has been set at 31 December 2079.

61. The right of superficies was established free of charge; however, in the land contract, the State of Geneva, without fixing the amount, reserved the right to revise the principle of free of charge of the surface entitlement, in the event that the development of the ITU led the Organization to build new constructions, above ground or underground, on the land granted.

62. The land contract (Article 10) also provides that, if the ITU decides to transfer to others (who take over) this right of superficies, the State of Geneva enjoys a legal right of pre-emption and, according to the clause signed, can benefit from a reduction of 2/7 of the price or at least two million three hundred and forty-five thousand francs (CHF 2,345,000), considering the favourable amount (CHF 5

million) to which the buildings and facilities had been transferred from the State of Geneva to the ITU with the agreement. However, the 2/7 reduction will not apply to the new buildings that the ITU could build on the lot burdened by the right of superficies.

63. This right of pre-emption would not be applicable to a purchaser or transferee who enjoys the same or similar legal status as the ITU (i.e., another specialised intergovernmental organisation), having its seat in Geneva. In this case, however, the transfer is only permitted upon payment to the State of two million three hundred and forty-five thousand francs (CHF 2,345,000).

64. At the end of the surface right, the buildings and installations established under this right become the property of the State of Geneva. The latter shall pay compensation only to the extent that the area has carried out works for the extension, conversion or renewal of installations involving additional investments which are not fully amortised at the time of termination of the area right.

The new building

65. By Resolution 194 (Busan, 2014), the Plenipotentiary Conference authorized the ITU Council to establish a Council Working Group (CWG) on options for the Union's headquarters premises over the long term. Following a recommendation of such CWG, in 2016 the ITU Council, through the Decision 588, decided to demolish the Varembé building and to replace it with a new construction. The ITU-Tower will be sold in the free real estate market.

66. At its additional session held on 27 September 2019, the Council, through Decision 619, approved the final direct Project cost of the Union's New Headquarters Building of CHF 170,139,000. This construction is expected to be financed entirely by a loan of CHF 150,000,000 from the host country (via FIPOI), sponsorship and donations received of CHF 15,140,000, and a fund of CHF 5,000,000, specially created in the budget for the new construction.

67. With regard to the FIPOI funding mentioned above, it granted: with a pre-assessment contract of 20 January 2017, resources (CHF 12 million) to cover costs for preparatory studies on the project of the new building and, with a contract signed in 2019, an interest-free loan to finance the construction, up to a maximum total amount of CHF 150 million, repayable in 50 years.

The "Surface Convention" between the State of Geneva and ITU: are the interest and independence of the ITU adequately protected?

68. Even observing that the continuous interventions on the composition of the parcels over the years make it difficult to control the consistency of the right of superficies, the clauses contained in the contracts, regarding the obligations deriving from them, involve an assessment of the convenience of the contract between the parties, which should be adequately reviewed by the ITU in the light of any risks that may arise.

69. In the event that the ITU decides not to renew the area or to anticipate the end, its "gain" compared to the retrocession to FIPOI/State of Geneva does not appear – at the state of the proceedings – proportionate to the value that normally it could have had if the surface right had not been built in that way, in particular, by accepting the opt-out clauses and by accepting the conditions on the area restitution allowance (and therefore the buildings existing on it at that time).

70. It follows from the foregoing that the real estate value of the buildings that ITU plans to sell in order to recover financial resources for the needs of reconstruction is not to be considered equivalent to a "pure" market value, in the sense that the property that the ITU sells (building) does not have the ability to express its full economic potential, compared with the market conditions at the time, because the contract for the concession of the area right of the land where the building to be sold is located ends on 31 December 2079. From this circumstance it follows that there are at least two main risks to be considered: i) there is the potential risk that if the owner of the fund (State of Geneva) does not renew this right, it will be able to acquire the entire property at a reduced expense; ii) on the other hand, there is a risk that if, before the end of 2079, ITU finds a different potential purchaser, it may not want to take over the right of superficies that exists until 2079 or will not accept this risk, if not in exchange for a lower purchase price.

71. The prospect, hypothesized by the ITU, of recovering resources through the sale of the Tower, does not seem to take adequately into account that this possibility, could represent a brake for the potential buyers, besides the fact that the current conditions of the Tower require a major and expensive renovation.

72. While considering the evaluation effort that has been made by ITU, which has commissioned studies to external parties, we note that no actions or risk mitigation tools have been defined, probably it would have been necessary to create a greater synergy between the results of the studies and the protection of ITU interests, at the time when acts of change of the right of surface - after 2014- without major changes of those clauses that most do not seem to help ITU.

73. The existing FIPOI loan agreement contains, among others, clauses that bind ITU in the lease of future spaces, as, due to how they were built (and accepted), they could represent a risk for independence and free self-determination of the Entity. In practice, the present constraints appear as interference in the management of a UN international organisation: indeed, these clauses seem to indirectly protect an additional interest of the owner of the area not to turn to the private market, in respect of which there are different rules applicable to contracts.

74. In conclusion, the ITU owns its buildings but does not own the land. It is possible that it took advantage, compared to what were probably the conditions and the market prices of the building land in Geneva in 1967, but it did not appear, from the documents that we were able to see, that a comparative evaluation was carried out between the contract signed and the full purchase of the land (not necessarily the same land).

75. The possible advantage enjoyed by the ITU at the signing of the contract was, presumably, a lower expenditure in terms of capital investment; however, ITU has assumed the risk that, after the period of granting of the right or upon the occurrence of conditions reserved to the owner, the buildings built on the surface, at its own expense, pass to the owner of the land, upon payment of a very limited indemnity.

76. Any evaluation must consider that the right of use on buildings not on owned land, but on land granted with rights of superficies, are subject to expiration. Therefore, the assessment of the impact on the current and future financial statements, in terms of costs/benefits, must adequately take into account the purposes of the operation with respect to the needs in the medium/long-term, paying particular attention to the clauses that have been signed and establishing limits, benefits and obligations.

77. It is also necessary to consider the projections and values of the real estate market which, in particular for the Canton of Geneva, highlight the fact that if, on the one hand, the building land is revalued more than the buildings, due to its scarce availability, on the other hand , some of the recent world events (for example financial crisis, pandemic, conflicts, etc.) will have repercussions on factors that already make it probable, in the long term, negative effects on real estate demand, with consequent risks of bubble or overvaluation[2].

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[2] cf. https://www.ubs.com/global/it/media/display-page-ndp/it-20200930-grebi.html

Risks that may affect the attractiveness of "the Tower" building towards potential buyers

78. A first important element is the framework in which a possible sale of the ITU Tower must be evaluated. Although this is a property that boasts a privileged position, as it is erected in front of the headquarters of the United Nations, the forecast of the financial return deriving from its sale cannot be based on the same assumptions of gain resulting from the sale, on the Geneva real estate market, of an equivalent property, free from encumbrances.

79. As a matter of fact, it must be considered that the object of the sale is exclusively the building and not the land, which therefore remains the property of the State of Geneva; the potential purchaser of the Tower would take over the place of ITU in the contract of right of superficies.

80. Until 2079, the conditions of this contract are binding on any buyer. Beyond that date, due to the expiry of the term (Art. 779/c Swiss Civil Code), existing buildings on the surface are devolved to the owner of the land (State of Geneva), unless it decides to renew the right of superficies.

81. In addition to this, as seen above, (para. 62), the State of Geneva enjoys the right of pre-emption and a reduction of 2/7 of the sale price. This pre-emption would not apply only to a purchaser with a status same (or similar) as the ITU (international/intergovernmental organization located in Geneva). In this case, however, the sale is only permitted upon the payment to the State of Geneva of its commission of CHF 2,345,000, indemnity that must be paid and that would be borne by the buyer in addition to the sale price to be paid to ITU, surcharge that could dissuade the purchaser (or, if included in the sale price, would reduce ITU's gain).

82. Another element to consider is that, if a potential purchaser decides to buy the Tower and in 2079 – upon expiry – the property is acquired by the State of Geneva, it could receive from the owner of the land an indemnity ("fair compensation for the properties acquired"); in any case, such indemnity guarantees the creditors, in favour of whom the surface right has been established. Furthermore, the compensation will be paid only to the extent that expansion, conversion or renewal works have been carried out, which involved further investments not fully amortized at the time of extinction of the right of superficies.

83. Finally, the ITU Tower (and not only) requires a series of renovations and adaptations to the safety standards of the Swiss State, the very high costs of

which – according to ITU documents – have led the Organization to dedicate itself to the construction of a new building rather than the renovation of existing ones. These costs should therefore be borne by the potential buyer, who could certainly purchase from ITU by imposing a discount for these conditions of the property; if the buyer does not want to renovate it, he could demolish it but must take into account the limits indicated above.

Recommendation n. 5

84. Considering the clauses and limitations imposed by the contract of the right the superficies, accepted by the ITU, and the changes in the real estate market conditions, according to what stated by the IPSAS, <u>we recommend</u> that a new evaluation of the buildings should be carried out, in order to verify that the value shown in the accounts are still adequate.

<u>Comments by the Secretary-general:</u>

ITU takes note of this recommendation. All the risks identified above have been highlighted in the different reals estate reports that were produced over the past years.

The last real estate evaluation exercise dates October 2020.

The outcome of the reports has been presented to the Council who decided to pursue the initially approved strategy to sell the Tower at the end of the new building completion once the ITU staff will have moved.

At the same time, and in agreement with the Host Country, it was decided to postpone the procedure for the division of the current parcels occupied by the ITU such as the renegotiation of the DDP closer to the building completion date, once the tower sales strategy will have been defined.

The ITU reached out to the State of Geneva via correspondence on 2 February 2021 to seek their confirmation for not making use of their right of pre-emption and the Host Country responded on 9 March 2021 that their intention is not to do so.

The risks linked to the upcoming negotiations of the DDP are included in the dedicated ITU new building Risk Register where there are tracked against proposed mitigation measures on a regular basis.

Before the sale of the Tower, the DDP will be renegotiated and the parcel split. ITU will renegotiate the DDP only on the parcels occupied by the new building and Montbrillant.

The cost for a DDP on the parcel receiving the Tower will require negotiations between the new landlord and the State of Geneva.

In addition, the MSAG (Member States Advisory Group), representing the Member States is fully associated in the new building project. All matters relating to the project are discussed on a regular basis and reported to all Council sessions. Through the MSAG, the Member States are therefore closely involved in management decisions.

To the Council's attention (1)

85. <u>We draw the attention of the Council</u> on the risk that, due to all clauses and limitations stated in the contract of right of superficies signed by the ITU, as well as the (already) changed market conditions, the building will lose much of its attractiveness, with the possibility that it will be very difficult to find buyers and, in any case, that there is a much lower financial income than the budgeted one. This would entail the need to cope with an unexpected shortage of resources.

Risks deriving from the financing obtained for the construction of the new building.

86. As already mentioned, with a 2019 contract, FIPOI granted an interest-free loan for a maximum amount of CHF 150,000,000, repayable over 50 years, including in particular the costs of preparatory studies. The loan must be repaid by the ITU to FIPOI in the form of fifty equal annual payments of CHF 3,000,000, at the end of each year. The first deadline will be 31 December of the year in which the work will be fully received by the ITU as a client. In the event of a delay in the work, the ITU will start the annual payments in the same amount of CHF 3,000,000, starting from December 2027. Should ITU finally not carry out the work, it undertakes to reimburse the amounts already paid by THE FIPOI in a period not exceeding the period between the date on which it notified FIPOI of its decision not to carry out such work and no later than 31 July 2028. In this case, the reimbursement plan will be established by mutual agreement within fifteen (15) working days of notification by the ITU to FIPOI of its decision not to carry out the work, but at the latest by 31 July 2026.

87. The ITU borrows from FIPOI a fixed amount not linked to the cost of the works, which may be higher than the amount obtained. ITU therefore bears the risk of incurring additional costs.

88. In the design of the new building, a part of the space owned by FIPOI is also involved, which is in turn under right of superficies by the State of Geneva and

therefore grants ITU a second level right. The ITU bears the risk of reconstruction and the burden of any overruns in reconstruction costs for this space as well.

89. These spaces – to be built by the ITU on the fund transferred in right of superficies from State of Geneve to FIPOI – will be "granted" (as established in the loan agreement) on "favourable" but indefinite conditions. There is no right of preference for the ITU, so the FIPOI can decide to hand it or transfer it to another entity.

90. With regard to the possibility of a possible leasing to third parties of the unused spaces of the new building, the ITU is not free: the loan agreement establishes to which subjects the ITU can rent the premises; in the absence of such subjects, the modality of the amount to be requested is subject to conditions. The ITU therefore also bears this risk.

91. The ITU undertakes, following the loan agreement, to set up a reserve of funds for maintenance work. Therefore, it is obliged to assume the risk of losing resources, that could be allocated to other purposes, and it undertakes to provide for future maintenance.

92. In the event that ITU decides to sell or assign the right of superficies, the clause of pre-emption of the property is triggered and, in any case, when the sale or transfer is not aimed at the acquisition or renewal of another ITU headquarters in Geneva, the residual balance of the loan will be immediately due.

93. In the event that, before the last due payment, the ITU proceed with its dissolution or the transfer of its registered office outside the Swiss territory, the loan debt will be immediately due.

To the Council's attention (2)

94. We draw the attention of the Council on the risk that, due to the clauses and limits provided for in the loan agreement stipulated with FIPOI and the second level right of superficies deriving from it, the ITU may find itself having to face unexpected costs that cannot be predicted and not covered by the loan obtained, with the obligation of having to cover them with own resources, putting the financial sustainability of the entire operation at risk.

Intangible Assets

95. In 2021, Intangible Assets amounted to 0.8 MCHF, showing a decrease from the value recorded in 2020 (1.4 MCHF). This decrease was due to the depreciation of internal developments.

96. As stated by Management in Note 12 to the Financial Operating Report, capitalization, according to IPSAS 31, regarded: (i) internal developments related to improvements in some specific services offered to members, specifically for the access, management and archiving of ITU documentation; (ii) standard software and upgrade packages used in ITU's operating activities.

LIABILITIES

97. In 2021, Total Liabilities amounted to 837.1 MCHF, with a decrease of 72.4 MCHF, representing the same value as recorded in 2020 (909.5 MCHF). They consisted of:

   a) *Current Liabilities*, amounting to 148.7 MCHF, representing 17.8% of Total Liabilities (in 2020, they represented 16.2%, totalling 147.6 MCHF), and

   b) *Non-Current Liabilities*, totalling 688.4 MCHF, representing 82.2% of Total Liabilities (in 2020, non-current liabilities represented 83.8%, totalling 762 MCHF).

Current liabilities

98. Total Current liabilities in 2021, as seen above, amounted to 148.4 MCHF, representing an increase of 1.2 MCHF as compared with 2020 (147.6 MCHF).

99. The sub-heading "UNSMIS" amounted to 1.5 MCHF in 2021, same as in 2020, related to the transition to the new Health Insurance scheme starting from 2020; see below in this report, where we discuss employee benefits, for a detailed illustration of these accounting items.

100. Among the other sub-headings, the value of "Provisions" (1.4 MCHF), "deferred revenue" (132.4 MCHF) and "Other debts" (4.8 MCHF) were substantially the same as in 2020. The basis for the evaluation of Current Liabilities is set out in the Accounting Principles (Note 2).

Suppliers and other creditors

101. An amount of around 6.8 MCHF (6 MCHF in 2020) is shown in the closing balance sheet under "Suppliers and other creditors". A detailed breakdown is shown in

Note 14 to the Financial Operating Report, where the three sub-items "Suppliers", "Deposits received" and "Down payments received" are listed.

Deferred revenue

102. The sub-heading "Deferred revenue" amounted to 132.4 MCHF (132.6 MCHF in 2020). The majority of this amount comes from contributions from the ITU's membership (Member States, Sector Members, Associates) and from revenue for Satellite Network Filing for requests prepared at the end of 2021 with publication in 2022. The revenue from sponsorship agreements for the New Building that were already invoiced in 2021 are also disclosed in this sub-heading, as "Other". A detailed breakdown of deferred revenues is shown in Note 15 to the Financial Operating Report.

Provisions

103. In 2021, the sub-heading "Provisions" amounted to 1.4 MCHF (1.1 MCHF in 2020). This heading included the provision for litigation and the provision for free Satellite Network Filing. A detailed breakdown of provisions is given in Note 18 to the Financial Operating Report.

104. Regarding the amount of the provisions for litigation, according to Note 18, they represent a valuation, at the date of closure, of future obligations associated with a past event in respect of various disputes in which the Union is involved as a party, as well as the average cost for the administrative expenses in respect of each case brought before the tribunal.

Borrowings and financial debts

105. The amount related to the ITU's capital borrowed from FIPOI for the construction and renovation of some of its premises was recorded as short-term (1.4 MCHF, same as 2020), corresponding to the instalment to be repaid to FIPOI by ITU in 2021, and as long-term (52 MCHF, it was 45.7 in 2020). The amounts are detailed in Note 16 to the Financial Operating Report.

Other Current liabilities

106. In 2021, the sub-headings "Employee benefits" and "Other debts" amounted respectively to 0.4 MCHF (0.01 MCHF in 2020) and 4.8 MCHF (5 MCHF in 2020). A detailed description and breakdown are shown respectively in Notes 17.1 and 19 to the Financial Operating Report.

Non-current liabilities

107. Total Non-current liabilities in 2021 amounted to 688.4 MCHF, with a decrease of 73.6 MCHF (9.7%) as compared with 2020 (762 MCHF).

108. The decrease is explained by the decrease in Employee benefits (-85.9 MCHF, -13.1% compared to 2020). The sub-heading "UNSMIS" amounted to 16.3 MCHF in 2021 (it was 17.4 MCHF in 2020), and it is related to the transition to the new Health Insurance scheme from 2020. The basis for the evaluation of non-current liabilities is set out in the Accounting Principles (Note 2).

109. This heading comprised long-term debts (see the paragraph on "Borrowings"), third-party funds, allocated or in the process of allocation, liabilities for the ITU Health Insurance Scheme and provisions covering obligations of uncertain amount and timing, mainly related to post-employment benefits.

Summary of employee benefits

110. Employee benefits are disclosed in the Financial Statements under "Current liabilities" and under "non-current liabilities", totalling 656.03 MCHF in 2021, as summarised in the table below.

Table 1

Liabilities	Year (kCHF)		Variance 2020-21	
	2021	*2020*	**kCHF**	**%**
Current	424	10	414	4140.0%
Non-current	570,083	656,021	-85,938	-13.1%
Total	**570,507**	**656,031**	**-85,524**	-13.0%
Composition of Non-current				
Post retirement Plan (ASHI)	545,636	631,870	-86,234	-13.6%
Pensions	54	54	0	0.0%
Installation/repatriation	13,330	12,717	613	4.8%
Accumulated leave	11,063	11,380	-317	-2.8%
Total	**570,083**	**656,021**		

Long-term employee benefits

111. As shown in the table above, in 2021, the sub-heading "non-current liabilities" (related to long term employee benefits) were around 570 MCHF, with an increase of 86 MCHF (+13.1%) as compared with 656 MCHF in 2020. They represented 82.8% of total non-current liabilities and 68.1% of total liabilities.

112. This heading included the actuarial liabilities for post–employment benefits under the After Service Health Insurance plan (ASHI) (545.64 MCHF; in 2020 it was 631.87 MCHF), a provision for estimated liabilities for the repatriation grant (13.33 MCHF; in 2020 it was 12.72 MCHF) and a provision for accumulated leave (11.06 MCHF; in 2020 it was 11.38 MCHF).

113. A detailed description and breakdown of the long-term employee benefits is shown in Note 17.2 to the Financial Operating Report.

Employee benefits: Installation and Repatriation grants

114. As shown in the previous paragraph, the provisions recognized at 31 December 2021 for installation and repatriation grants amounted to 13.33 MCHF (12.72 MCHF in 2020) and were calculated according to the actuarial study commissioned by Management, which the actuary illustrated in its report of February 2021.

Employee benefits: ASHI

115. In 2021, the provision for actuarial liabilities for the ASHI plan amounted to 545.64 MCHF, representing a decrease of 86.23 MCHF (-13.1%) compared to 631.87 MCHF in 2020. This calculation, based on actuarial assumptions, was performed by the actuary, using Aon AA Corporate Bond Yield Curves as of 31 December 2021. The discount rate increased from 0.2% in 2020 to 0.5% in 2021.

116. Following our past recommendation n. 2/2018, in accordance with paragraph 88 of IPSAS 39, in its sensitivity analysis for healthcare plans, AON also calculated the provision using the AON Switzerland Government Bond Yield Curve and the result was an increase of about 77 MCHF, due to the lower discount rate (-0.1 instead of 0.5).

Based on the ITU's assumptions, the value of Installation and Repatriation grants and the value of ASHI liabilities are substantially correct

117. The choice of actuarial assumptions is the sole responsibility of Management. The External Auditor checks their plausibility and their consistency with IPSAS and with previous years and validates them.

118. As in previous years, our team made use of a group of public actuaries, who are experts in social benefits. To carry out their work, our actuaries recalculated the valuations prepared by the actuary chosen by ITU (AON Hewitt Consulting); The work of our actuaries confirmed that the amounts recorded in the accounts were substantially correct

Negative Net-assets influenced by actuarial liabilities

119. The amount of ASHI's actuarial losses (162.35 MCHF, lowering from 2020, when it was 263.10) had an impact on the ITU's Net Assets, which were negative in 2021, as in the previous year.

Employee benefits: Staff Superannuation and Benevolent Funds (ITU closed Pension Funds)

120. As in previous years, an amount of 54 KCHF was recorded in the accounts at closure; it relates to benefit obligations in the form of pensions payable to former staff members under the Staff Superannuation and Benevolent Funds (see also paragraph 272).

NET ASSETS

121. Net assets comprised allocated and unallocated own funds, extra-budgetary funds, the non-budgetary result, the surplus/deficit for the financial year and the effects of the transition to IPSAS. In 2021, Net Assets resulted in a negative value of -412.7 MCHF, a more positive value compared to the amount of -500.6 MCHF registered in 2020.

122. All movements in Net assets are explained in various Tables and Notes in the Financial Operating Report, in particular:

a) Table II "Statement of financial performance", which shows the deficit for the period (-14.9 MCHF);

b) Table III "Statement of changes in net assets", showing the movements separately for each own fund, and IPSAS effects;

c) Table V "Comparison of budgeted amounts and actual amounts", which also discloses the accounting reconciliation between budget out-turns (actual amount) and amounts recognized in the Financial Statements (in this regard, see also Note 26);

d) Note 2 "Main accounting principles" in the paragraph related to the "recognition of Funds", in particular the sub-paragraph on "Allocated third party funds", and the paragraph related to the "Reserve Account";

e) Note 3 "Management of net assets", which lists the movements in the Reserve Account (whose assets resulted of 27.5 MCHF in 2021).

STATEMENT OF FINANCIAL PERFORMANCE 2021

123. This Statement shows the Organization's operating and financial revenue and expenses classified, disclosed and presented on a consistent basis in order to explain the year's net deficit or surplus. The result for the period was a deficit of -14.9 MCHF (-47.3 MCHF for f.y. 2020).

REVENUE AND EXPENSES

Revenue

124. Total revenue amounted to 175.6 MCHF, an increase of 5.2 MCHF (+3%) as compared to 2020 (170.4 MCHF).

125. Among them, we note that Voluntary contributions increased from an amount of 8.3 MCHF in 2020 to an amount of 13.5 MCHF in 2021). Assessed contributions, amounting to 125.6 MCHF, were at the same level as 2020 (125.7 MCHF). The proportion of assessed contribution in relation to the total revenue amounted to 71.6% in 2021 (it was 73.8% in 2020).

126. The Other operating revenue decreased, amounting to 32.8 MCHF (they were 40.2 in 2020), despite a significant decrease in the extra-budgetary revenue, deriving from the postponement of the ITU TELECOM World 2021 (see below).

127. Finance revenue is strictly linked to the variation of the exchange rate between the currencies. The total amount of this item was 2.8 MCHF in 2021, it was -4.7 MCHF in 2020. The improvement in the value is totally due to a technical revaluation of the unrealized exchange gains at the end of the year.

128. The detailed breakdown of revenues is reported in Note 22 to the Financial Operating Report.

Publications' sales

129. Revenue from the sale of publications in 2021 amounted to 19.41 kCHF, a 11.3% increase from 2020 revenue totals, mainly due to the 4th Quarter releases of two titles updated every 4 years: Radio Regulations 2021, and the Manual for Use by the Maritime Mobile and Maritime Mobile-Satellite Services (Maritime Manual 2021).

The TELECOM WORLD Event 2021

130. As in past years, we audited the accounts related to ITU Telecom World, with reference to 2021, according to Resolution 11 (rev. Dubai 2018), resolves n. 9,

"*the audit of ITU World (formerly ITU Telecom) accounts shall be carried out by the External Auditor of the Union*".

131. Due to the persisting pandemic, the event took place as ITU Digital World 2021, as announced last year, therefore the event was not held physically but virtually, and it was organized by the same Country, Vietnam, with a series of Forum Sessions (from May till December 2021) instead of only three days as happened in 2020. Management referred to us that the request to change the name from Telecom World to Digital World was made by the Host Country. In this report, we will refer to the same event, using equally both names.

132. The event was organized and managed in accordance with Resolution 11 (rev. Dubai, 2018), which at resolves n. 7 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". 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.

133. 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.

134. This report covers the results of our audit of the profit and loss account for the ITU Telecom World 2021 event.

135. The revenue and expenses of Telecom World event are consolidated in the ITU Financial statements, and, in relation to year 2021, as we did last year, we are not presenting a separate report.

Legal Framework and scope of the audit

136. This report refers to the accounts of the ITU Telecom World 2021, for the period from 1 January 2021 to 31 December 2021. 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.

137. 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 events have been correctly handled in the accounts.

138. Our audit of ITU Telecom World 2021 ascertained that the accounts submitted to us were accurate and that entries relating to the event had been correctly posted. To carry out our evaluation, we considered not only financial results, but also appropriate Key Performance Indicators (KPI's).

139. We verified that the ITU Telecom World 2021 profit and loss sheet as at 31 December 2021 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.

140. 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 2021 accounts.

141. We were informed that no claim and proceedings had been formally brought against the Union within the framework of ITU Telecom World 2021; no case of fraud or presumed fraud was reported to us.

Financial data

142. In relation to the programmed Telecom World 2021, the event recorded revenue equal to 241 KCHF and 2,246 KCHF as expenses, with a negative net result of 2,004 KCHF; expenses are mainly related to the cost of personnel involved in the event's preparatory work and management.

Cost Recovery not charged to TW: No formal HR Management Plan prepared for employing TW staff in ITU?

143. As occurred in 2020, cost recovery of CHF 1.5 million was not charged to ITU TELECOM, given a decision of the Secretary-General, in view of the fact that a virtual format should not have made possible to raise a significant amount of revenue.

144. In the past years, when Events were held on physical venues (for instance, Budapest), Management had referred us that the charges (of the cost-recovery) were calculated based on the information conveyed by ITU Telecom management on the percentage of time that ITU Telecom staff dedicated to the Event during 2018 and 2019, 20% and 60%, respectively (usually, it should have been 20% and 80%), leaving the 40% (instead of the usual 20%) related to 2019 for the preparation of the 2020 TW. Such adapted formula was agreed between ITU Telecom and Financial Resources Management Department and approved by the Secretary-General.

Recommendation n. 6

145. In 2020, due to the impact of the pandemic, the loss produced by the "Digital World" was due to this unforeseeable circumstance; instead, in relation to Digital World 2021, being the ITU cost-recovery a charge to TW for the work provided by ITU staff for assisting TW in carrying out the event, we observed the followings:

a) No official HR plan on how to employ working time left out by ITU staff (in the past, charged as cost recovery to TW), not working anymore full or part-time for TW, has been prepared and presented to us;

b) No specific guidance on how to redeploy TW staff to ITU was prepared: Management referred to us only to have provided training course;

c) No forecast on how (and if) to redeploy staff to TW and what kind of contract should be provided to them.

146. For all the above observation, <u>we recommend</u> that ITU Management urgently:

a) present to Council a HR plan on how "ITU and TW staff working time" has been redistributed and how it will be redistributed to ITU core activities;

b) provide all TW staff redeployed with clear and measurable objectives, and, once employed in ITU activity, consider how they should participate in future TW activities, when necessary, without causing disruption into the ITU core business;

c) start an internal independent assessment if ITU and TW staff have been left under-employed or not fully employed and/or not fully supported by management in the passage from TW's activities to other ITU objectives, in order to compensate the work not performed (in part or full time) for TW. In case of under-employment, an assessment if there are managerial responsibilities should be carried out;

d) assess if the TW staff contracts that have been signed in the past (still in place) and, that will hopefully be signed in the future, will be adequate to the TW objectives: for instance, if TW is an annual event, staff might not be hired in a perspective longer than one year, and so on. After the assessment, we also recommend that Management guarantee that timeline of the event will be respected and correctly implemented.

__Comments by the Secretary-General__

ITU takes note of this recommendation and would like to provide below additional information:

i. It is important to note here that, as of the beginning of 2021, it was thought that a physical event could take place, and preparations for this had duly got underway.

The ongoing extension of the pandemic was hard to foresee, and it was only as of April 2021 that it became clear that a physical event would not be possible in 2021

ii. ITU staff from different bureaux and departments continued to support the 2 virtual Telecom events (ITU Digital World 2020 and ITU Digital World 2021) in areas such as budgets coordination and preparation, financial control, accounting tasks relating to the revenue and expenses, payment of Telecom staff salaries, etc.

iii. ITU staff who are paid by their own department or bureau maintain their principal functions. Owing to the smaller scale of the 2020 and 2021 Telecom events, these ITU staff were able to concentrate on their main duties allowing for quicker response to numerous requests, more proactive collaboration with other departments, avoiding backlogs, and taking up other assignments as appropriate.

iv. Due to the unforeseen consequences of COVID-19 on the global events industry as a whole, no planning was foreseen initially in terms of redeployment of Telecom staff and no specific HR redeployment plan was drawn up.

v. Nevertheless, as soon as it became clear that there would be no physical event in 2021 and then no opportunity to organize an event in 2022, significant measures were taken to cut or redeploy staff into other assignments within ITU.

vi. During 2021, eight (8) Telecom staff members were detached as follows: 2 to BDT, 2 to TSB, 1 to C&P, HRMD and BR respectively. Six (6) were transferred, five (5) to C&P and one (1) to SPM, while three (3) other team members have been working in other ITU roles since prior to 2020 (Protocol and C&P). Several detached staff members were fully funded by the receiving departments, while others were partially funded and maintained their Telecom functions in addition to their responsibilities in the new placements. This was made with the intention of maximizing the productivity of each member of the team.

vii. It should also be noted that up until December 2021 there were promising indications of another Telecom Event may be organized in 2022. Active discussions on Telecom also took place in Council 2021 and 2022 and are also set to take place during PP-2022.

viii. A series of meetings with staff were held in 2021 and 2022, including with the Secretary-General, to keep them updated on the developments and a comprehensive plan for reassigning staff was created in collaboration with HRMD, in addition to meetings on training, counselling, upskilling and aggressive outreach to find alternative assignments.

ix. As of the time of report writing, all ITU Telecom staff members fulfil other functions elsewhere in the ITU and are fully funded by the respective Bureaux and

departments, with the exception of the Telecom Manager and 1 staff member who has received notice of termination, as per the ITU rules and regulations.

Recommendation n. 7

147. Following above Recommendation n. 6, we observed that, although several TW staff were redeployed to ITU's activities, and, further, ITU staff that in past years were working for TW events, have no longer worked for TW, freeing even further resources, consultants were hired by Digital World 2021, increasing personnel costs; we were not being able to understand the reasoning of charging additional costs; therefore, <u>we recommend</u> that ITU start as soon as possible an independent internal assessment, to ascertain if these costs charged to TW were not justifiable, and, should this be the case, if there are managerial responsibilities.

Comments by the Secretary-General

ITU takes note of this recommendation and would like to provide more information below:

i.   As of January 2021, a Host Country was confirmed for a physical event, ITU Digital World 2021, to take place in October 2021, marking the 50th anniversary of Telecom events. Planning for a full physical event took place as normal from January to April 2021, when the ongoing uncertainties around the COVID-19 pandemic caused the decision to be taken to hold the event virtually from September to November 2021"

ii. Organizing and preparing a successful Telecom event and meeting the commitment to the Host Country called for intensive work in content creation, digital communication, web programming & development and support, whether the event was held virtually or physically.

iii. Due to the redeployment of staff to other departments starting prior to 2021, and due to the need of specific expertise, 2 consultants were retained for a limited period and on a part-time basis.

iv. One web consultant was hired for 3 months to cover the needs for Wordpress website programming/maintenance; after this time, Telecom relied on ITU IS team support who provided this service through the same consultant. Another web communications/writer consultant was hired on a limited and part-time basis (shared with another Department) to ensure the provision of the content and

communications support necessary for the event, in particular as the website and Forum programme requirements were greater in the virtual format.

v. The use of consultants in this period was the most cost effective and efficient way of responding to the need to meet the commitment made to the Host Country and Member State delegates to the Telecom event whilst pursuing the strategic aim of reducing ITU staff, all within the fast-changing and unpredictable framework of the COVID-19 pandemic.

General framework and key figures

148. The result of the Event was negative. We underline that revenue went significatively below the budgeted level. A comparison of last four events shows the main figures as follows.

	Final Accounts 2018	Final Accounts 2019	Final Accounts 2020	Final Accounts 2021
Revenue	5744	6909	54	241
Direct expenses (*)	2287	1872	120	187
Gross Result	3457	5037	67	54
Core expenses	3712	4128	1840	2022
Net result	-255	909	-1907	-2005

(*) Provisions included in thousands of CHF

149. It is to be taken into consideration that, before 2020, the exhibitions were held physically; nevertheless, as stated above, the result of 2021 was negative, and we report that this is not in line/in accordance with Resolution 11 (rev. Dubai, 2018), which, at resolves n. 7 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*".

150. Furthermore, also the ITU Financial Regulations and Financial Rules (FRR), at Annex 2 point 4.11 state that: "*The Union shall not assume any commitments for, or continue the execution of any programme, project or supplementary activity, unless its full financing has been secured (apart from exceptional and duly documented cases, subject to prior written approval by the Secretary general) and the funds have been deposited in accordance with the payment schedule laid down in the agreement (...)*"

151. This Annex does not directly refer to Telecom Word, which is described in article 19 and does not state about funding, but it is only related to accounts. Nevertheless, considering that FRR should be followed in principle and that Res, 11 also goes towards this direction, we have the opinion that Digital World

should have not started its operations, without having the Host State signed any additional agreement in 2021, especially in the consideration of what happened in 2020 (although understanding the pandemic unforeseeable circumstances), when the Member State had not paid its due and agreed fees: the Member State, unilaterally, simply transformed a "cash revenue" promised in the HCA to a "contribution in kind" for having prepared a platform. Having not received any agreed cost-recovery, no activities should have been started by ITU-TW in 2021.

152. We acknowledge that, as stated in the FRR, the Secretary General "exceptionally" authorized Digital World 2021.

To the Council's attention (3)

153. <u>We draw the attention of the Council</u> on the fact that, contrary to Res. 11 resolves 7, the event was not financially viable in 2020 and 2021, with a considerable direct impact on ITU Financial Statement (cumulatively, around 4 million).

154. <u>We</u> also <u>draw the attention of the Council</u> on the fact that the revenues for ITU-TW, agreed in the HCA signed in 2019 between the Member State and ITU, have never been paid to ITU, and that, unilaterally, the Member State declared that ITU should have considered the creation of an IT platform for Digital World as "contribution in kind": Secretary general, in his remit, following FRR, has authorized these expenses to be charged to the ITU Telecom Fund in ITU Financial Statements.

Recommendation n. 8

155. Considering that i) the fee as agreed in the HCA has never been paid back to ITU by the Host Country, and ii) that unilaterally the Member State declared that ITU should have considered the creation of an IT platform for Digital World as "contribution in kind", <u>we recommend</u> that ITU assess if this platform delivered by Host Country, could be considered, according to its ownership and legal and contractual framework, as a "contribution in kind". If this were not the case, <u>we</u> also <u>recommend</u> assessing independently, through internal resources, if there are managerial responsibilities in:

a) not having provided timely sufficient and reliable information to SG, bringing him to authorize on an exceptional base, activities that, if not carried out, would have safeguarded ITU resources., that could have allocated to more urgent, for ITU-wide, programmatic measures.

b) having decided to continue to work for Digital World, increasing direct and indirect costs for ITU Financial Statements, knowing that Host Country was not signing an additional 2021 HCA.

Comments by the Secretary-General

ITU takes note of this recommendation:

i.   In accordance with Resolution 11, ITU was not able to request the Host Country to pay fees for a virtual event.

ii. The Host Country developed the Virtual Exhibition Platform at its own costs and initiative. This was a goodwill gesture on the part of the Host Country and nothing to do with any contribution to 'financial contribution" to ITU.

iii. In terms of information flow, I was briefed throughout by the Host Country, through virtual meeting with the Minister and Deputy Minister of Vietnam, as well as by the Telecom Secretariat. I asked for immediate action to cut costs of the Telecom Secretariat as soon as the decision not to organize physical event in 2021, and this was duly carried out.

iv. The virtual event 2021 – as in 2020 – was unable to generate income as the past physical events had, but also had minimal expenses.

Expenses

156. Expenses totalled 190.4 MCHF, a decrease of 27.2 MCHF (-12.5%) as compared to 2020 (217.6 MCHF).

157. The decrease can be registered for all sub-headings, but the most significant ones result in "Finance expenses" (from 15 MCHF in 2020 to -0.6 MCHF in 2021), "Depreciation and impairment losses" (from 16.6 MCHF in 2020 to 9.7 MCHF in 2021) and "Other expenses" (from 8.3 MCHF in 2020 to 2.9 MCHF in 2021).

158. Employee expenses, which in 2021 amounted to 150.4 MCHF (153.8 MCHF in 2020), represented 79% of total expenses (70.7% in 2020). In Note 23 to the Financial Operating Report the breakdown of such expenses is represented, showing that the decrease was due to the lowering of ASHI adjustment, deriving from the increase of the discount rate, and to the decrease of accrued leave. Overall, the staff cost increased.

159. The pandemic and the consequent travel restrictions caused another decrease is registered in mission expenses, which lowered to 0.4 MCHF in 2021 from the 2020 amount of 1 MCHF. The 2019 amount (pre-pandemic) was 7.8 MCHF.

Other expenses

160. These expenses decreased from 8.3 MCHF in 2020 to 2.9 MCHF in 2021. The decrease of such expenses, which relate, among others, to the External audit costs, as well as to the ITU's participation in UN expense (for participation in various UN Committees).

161. In this sub-heading other two items are included:

- "Legal expenses", which include estimated costs for the outcome of open legal cases as well as the average cost for the administrative expenses in respect of each case brought before the tribunal: these expenses increased from 0.54 MCHF in 2020 to 0.61 MCHF in 2021;

- "Adjustment of provisions and other expenses", which resulted mainly from the dissolution of the provision for doubtful debts due to the payment of overdue receivables: these expenses decreased from an amount of 7.29 MCHF in 2020 to an amount of 1.78 MCHF in 2021. The decrease is explained mainly through the dissolution of the provision for doubtful debts due to the payment of overdue receivables.

PROCUREMENT AND PROJECT MANAGEMENT

Avoiding conflicts of interest in the implementation of (BDT) projects

162. The BDT is responsible for providing support for the development of projects and Regional Initiatives, coordinates the drafting, negotiation and finalization of project documents and leads the development of frameworks, for the consistent monitoring, implementation, evaluation and reporting of ITU projects.

163. ITU's project consists of projects in a wide range of areas of action such as: regulatory and market environment; development technologies and networks; ICT applications; access to ICTs through special initiatives; capacity building; cybersecurity; emergency telecommunication; climate change; and statistics and indicators. ITU projects are being implemented in all six regions of the world.

164. According to ITU project portal, there are currently 71 ongoing projects, for a total of USD 80 million.

165. BDT has taken several steps to strengthen its project execution role, by developing the necessary tools and methodology to facilitate project development and better project management. To this end, in June 2020, the ITU Guidelines for Project Management and Template forms were renewed, for use by project managers. The Manual covers all phases of the project management cycle, from design to closure. Other actions implemented in the last few years include the establishment of an ITU Projects Board, the strengthening of monitoring and evaluation, the organization of a project certification programme for ITU staff and the introduction of a community of practice for ITU project managers.

166. According to these Guidelines, Step 5 – Procurement Planning, "*the project manager needs to actively coordinate with the procurement team, as well as apply the ITU Procurement Manual, to determine the timeline for the procurement processes and fully comply with the ITU procurement rules and regulations*".

167. In 2019, the new ITU Procurement Manual (PM) has been issued. The Manual shall apply irrespective of the source of funding, such as (but not limited to) regular budget, extra-budgetary funding sources, unless otherwise provided for by the Manual itself. In particular, article 10 concerns technical cooperation and assistance projects.

168. The PM also repeals the outdated Basic rules for procurement of equipment for ITU technical cooperation and assistance projects, as approved by the Administrative Council in 1968.

169. For the financing of BDT projects, a number of financing mechanisms are in use. They are outlined below:

    1) Trust funds: Trust funds are used to execute projects financed by earmarked contributions, by the ICT Development Fund or by governments. In all cases, the funds have to be credited to the projects before the expenses are committed. Trust funds are, in the substance, voluntary contributions with specific and restrictive utilization. These contributions generate support costs during the execution and implementation of the projects.

    2) Voluntary contributions: Voluntary contributions are received from donors to complement specific regular budget activities such as, for example, seminars, working groups, study groups, training and fellowships. Voluntary contributions do not generate any support costs.

3) ICT Development Fund (ICT-DF): it contributes to the sustainable development through the co-financing of national, regional and global development projects, and operates under a Steering Committee chaired by the ITU SG, and with membership of the Deputy Secretary-General and the Director of BDT. The ICT-DF was originally set up with resources generated from the surplus of the organization of ITU Telecom events, as per defined in Resolution 11.

170. During the audit, we found that, for "technical cooperation and assistance" projects, the funding entity is the beneficiary administration receiving ITU´s support, and who funds ITU´s assistance, following the principle of cost recovery for projects defined in ITU financial rules and regulations.

171. For these cases, even when they are not the same subject (they are legally separated, but "parts" of the same interest, like, for instance, two governmental institutions of the same country), this kind of situations may lead to a risk of conflict of interests that requires further mitigation from ITU.

172. Another risk related to (potential) conflict of interest might arise if a donor requests and/or supports and/or pushes to obtain, directly or indirectly, services from a given supplier, restricting his contribution to ITU only when, for instance, a given technology and/or a given consultant is guaranteed to itself.

173. Furthermore, the level of risk of conflicts of interest might arise, also, in case a beneficiary requests to have guaranteed, directly or indirectly, a given product (for instance, a specific technology) or specific services (for instance, consultants proposed by him) of a supplier, even bypassing standard procurement rules, in order to guarantee his satisfaction towards ITU.

174. When these potential risks of conflicts of interest arise between the donor, the beneficiary and/or the supplier, if ITU had not the possibility (for instance, the right technical expertise) to resolve and/or mitigate independently these risks, then the reputational risks increase significantly for ITU: we should also consider that ITU has not the capacity to fully investigate all the possible situations of conflicts of interest because it has to rely on declaration of staff and representative of the donor and/or of the beneficiary (when they, for instance, participate in panels, activities, planning, etc.), and it does not have the legislative authority to directly carry out investigations inside Member States.

175. For example, if ITU had not the specific technical capacity to guarantee that the Donor or the beneficiary receive the most effective service and/or product from the ones available in the market, several risks might increase: for instance,

donor's requests (or beneficiary's requests) would be used to bypass normal ITU procurement Rules, or, ITU would not have the technical capacity to write the technical part of a Project, and the related Terms of reference (technical) for a procurement during the implementation of the project.

176. We found that this kind of situation, namely the risk of conflicts of interest between donor, beneficiary and supplier, may need to be further considered by the ITU Project Management Manual or by the Procurement Manual, in order that such risks (e.g., control, fraud, reputational, etc.) be mitigated.

177. We consider that the reputational risks for ITU further increase and that ITU has not finalised putting in place, all the necessary steps to mitigate conflict of interests and fraud risks, in particular at field level, through an effective internal control system: during our audit, we identified cases of technical assistance projects for which special consideration should be put to ensure the neutrality of procurement processes. Note that in a specific case, the ITU Regional Office (or Area Office) is hosted in the same building of the donor/beneficiary and ITU Staff had been, in the past, employed by the donor/beneficiary for years.

Recommendation n. 9

178. Our audit revealed that, during the design and implementation of projects in the field, a conflict of interest may arise (for example, when the donor coincides with the beneficiary and even if some ITU staff were previously employed by the donor/beneficiary), and this risk has not been considered yet in the ITU legal framework, or by internal controls. We therefore recommend that the ITU Project Management Manual be expanded, as well as the Procurement Manual and Annex II to the Financial Regulations and Financial Rules on "Rules, Procedures and Financial Provisions for Voluntary Contributions and Trust Funds", in order to prevent all types of conflicts of interest. Such a legal review is necessary and urgent not only to have an adequate regulatory framework, but also to provide the legal basis for the design and implementation of an effective internal control system, in particular to avoid situations i) where the funding partner is the recipient of ITU's assistance, and, further, ii) when donors and beneficiaries have common interest in having a specific supplier instead the most cost-effective one.

Comments by the Secretary-General

ITU takes note of this recommendation. However, the comments made above seem to not capture the fact that ITU Constitution and Convention define the provision of technical assistance to ITU Member States as one of the key services of the Union to

its members. For these cases of technical assistance, and as per ITU financial rules and regulations, ITU works on the principle of cost recovery, demanding the country demanding assistance to finance the support provided by ITU. In this context, it is not accurate to define these countries as "donors", since their financial contribution received by ITU is used to cover the costs incurred by ITU. Instead, ITU uses the terminology "funding partner" or "funding entity". All cooperation agreements and project documents signed with funding partners (including for technical assistance) define clearly the application of all ITU rules and procedures in the implementation of such cooperation. This includes the application of ITU financial rules and regulation, ITU´s Project Management Manual and the ITU Procurement Manual, which define the clear independency of ITU to ensure that the sourcing of services for projects is done based on the principles of technical expertise, market competition and transparency. This applies also to projects for technical assistance.

With regards to situations of conflict of interest, ITU rules and regulations have strengthened the control of such situation, with the introduction of an earlier assessment of relevant stakeholders involved in the design and implementation of projects. This includes the situations related with funding partners for technical assistance projects identified in the recommendations from the external auditors, which are covered by the existing framework. Note that all legal agreements signed by ITU with partners include specific clauses determining that the implementation of ITU projects is conducted in accordance with ITU rules and regulations. Such clause is non-negotiable and is added to all legal agreements signed by ITU. With regards to the risk in relation to the nationality of ITU staff, ITU would like to note that all ITU staff is bound to the application of ITU rules and procedures regardless of their nationality or previous employers. However, as internal practice, ITU tends to appoint project managers of a different nationality in cases of technical assistance provided to country administrations.

In addition to this measure, ITU continues to monitor the implementation of its rules and regulations, in order to ensure the compliance with the regulatory framework put in place by ITU to assist its staff to better assess potential situations of confict of interest in the management of projects and in the related procurement, (with regards to funding partners, suppliers and beneficiaries).

ITU welcomes further guidance from the external auditors to continue reinforcing such internal mechanisms. Such eventualities may, if not properly prevented, compromise the good practices put in place by the ITU and expose the ITU to reputational risks that could also compromise its credibility with other donors.

179. We have above recommended that ITU continue to strengthen its regulations, rules and manuals, in order to have an adequate and effective regulatory framework to assist the ITU staff in having a legal basis that allow them to identify potential conflicts of interest in the management of projects and in the related procurement, when needed for the project's implementation, especially in situations where such conflicts may occur among donors, suppliers and beneficiaries. Such eventualities may, if not properly prevented, compromise the good practices provided by the ITU and expose the ITU to reputational risks that could also compromise its credibility with other donors. Considering that the need of a regulatory framework should be urgently complemented by an effective internal control system capable of detecting risks, for all of the above we recommend that:

i) an appropriate analysis be urgently activated, to identify risk indicators relating to potential conflicts of interest and fraud risks, reviewed by an independent expert;

ii) ongoing projects be reviewed, to verify whether there are circumstances of potential or existing conflict of interest, as described above;

iii) the suspension of new projects be assessed, as well as the payment of ongoing projects, if the revision carried out – within the terms mentioned above – indicates a risk of conflict of interest, fraud, irregularities, and, in any case, until the entry into force of an appropriate control framework and process (as recommended above).

Comments by the Secretary-General

ITU takes good note of this recommendation. We will continue to strengthen the regulatory framework on conflicts of interest procedures (and declaration of interests), competitive recruitment and procurement procedures, as well as the effectiveness of the new measures introduced by the Working Group on internal controls. In addition, ITU will continue to implement the Accountability Framework adopted at the last session of the ITU Council, as well as the accompanying Service Order. We will continue to review and reinforce these mechanisms to address any potential risks.

Project Management implementation in other ITU sectors

180. As seen above, the ITU Guidelines for Project Management and Template forms were renewed in June 2020, for use by project managers.

181. The BDT Director confirmed to us that this Manual is valid for all the managers in charge of ITU projects, as well as the ITU Procurement Manual, ITU-wide applicable.

182. During our audit, we sent to the Directors of BR and TSB a checklist asking them:

    (i)   Their interaction with the Regional Presence (ROs and AOs)

    (ii)   If they were implementing projects, programmes and supplementary activities (PPSA)

            c) In their related Bureau

            d) with ROs and AOs

    (iii)   if they were using a Manual for Project Management

    (iv)   if project managers working in their respective Bureau were certified

    (v)   if they had specific policies and procedures other than the ITU-wide developed policies on Ethics for managing conflict of interests

    (vi)   if they were preparing a specific risk assessment, in particular related to PPSA

    (vii)   if they had a specific policy over SSA, more than the normal recruitment rules issued by HR

    (viii) how they monitor the work of SSA

    (ix)   if they had regularly performed an assessment of the Internal controls in their respective Bureau and how.

183. In relation to the above-mentioned points, in this part of the report we will consider only the questions related to PPSA; the other parts, when needed, are used in other parts.

184. BR Director reported to us that "*BR has not been involved in the planning or implementation of any PPSAs with the ROs and AOs*"; nevertheless, he reported to have provided technical support, which is not compensated, and the related funding for "*capacity-building activities comes from BR's regular budget*". BR Director also reported to us that "*BR is in the process of developing a Project Management Process, which will include standardized policies and documentation. Presently, BR has standardized the use and template for Project Implementation Status reports (PISRs), along with Project folders for all associated project documents*", and that a mandatory Manual for PPSA "*will be developed*".

185. TSB Director reported to us that, although his Sector had regular meetings ("*every two months*") with regional Directors and their teams, "*however, there have been no PPSA programs with the Regional Offices*", whilst he had developed PPSA projects in TSB. Nevertheless, he reported to us that "*TSB in general does not implement projects as big as BDT*" and, in this sense, he would have been considered "*a light version of BDT's Project management Manual could indeed be useful*" and he also declared that his staff regularly follow training on project management courses, as offered regularly by HR.

186. In relation to the PPSA Audit (dated 30 September 2021 titled "*Audit of programmes, projects, and supplementary activities (PPSA) funded by Voluntary Contributions and Trust Funds*") prepared by IAU, the audit scope did not include BDT projects, which were covered by an earlier report from IAU. It is worth mentioning that in the overall conclusions is stated "*Governance of PPSA is not adequate. Also, PPSA's risk assessment is inadequate and insufficient in protecting the Union against major risks. Internal controls in relation to SSAs are also ineffective.*"

187. We have considered in our report SSA in specific paragraphs (see chapter on Personnel expenses); however, it is important to highlight that a considerable part of the ITU PPSA is implemented through SSAs, therefore an "ineffective" internal control over SSA has a direct negative influence on the controls performed over PPSA.

188. Furthermore, IAU highlighted that "*with respect to project/activity management, it was found that without adequate project methodology, the intended project results are at risk of not being achieved*"; as a consequence of this, IAU recommended that "*adequate project management guidelines are developed and adopted. IA also found that on occasions the standard templated for VC (Voluntary Contributions), FiT (Funds in trust), or sponsorship are not consistently used and that there is a critical risk with respect to the selection and management of consultants*". Moreover, it is also stated that "*the absence of risk management process may negatively impact the implementation of PPSAs*"; IAU concluded its executive summary recommending that "*controls are strengthened over these various areas and that remaining funds related to closed projects are cleared*".

Recommendation n. 11

189. In relation to the "Audit of programmes, projects, and supplementary activities (PPSA) funded by Voluntary Contributions and Trust Funds", issued by the IAU on 30 September 2021, we endorse their recommendations, and <u>we recommend</u> that Management should promptly implement them, and that IAU follow up their implementation.

<u>Comments by the Secretary-General</u>

ITU takes good note of this recommendation. As mentioned above, it should be further restated that, as defined in ITU's Constitution and Convention, projects, programmes and supplementary activities (PPSA) are largely implemented by the BDT which has rigorous systems in place to ensure proper controls. As the IAU recommendations indicate, the processes put in place by BDT in the last few years to strengthen the implementation of projects, programmes and voluntary contributions will apply this should apply to the whole of the ITU. The Administration will ensure full compliance with these recommendations in all Departments and Bureaus of the ITU. The Project Management certification programme included representatives outside of BDT. We intend to further extend this programme of training.

In parallel, IAU is following the implementation of their recommendations in report.

Recommendation n. 12

190. In relation to the severe weaknesses in PPSA found by IAU in the area outside of BDT activities, we fully support their assessment, not only when it is reported that "*with respect to project/activity management, it was found that without adequate project methodology, the intended project results are at risk of not being achieved*", but also when IAU recommended that "*adequate project management guidelines are developed and adopted. IA also found that on occasions the standard templated for VC (Voluntary Contributions), FiT (Funds in trust), or sponsorship are not consistently used and that there is a critical risk with respect to the selection and management of consultants*".

191. Considering that, in their replies to us, BR and TSB Directors were not taking into account all the steps performed by BDT in enhancing the internal controls in project management, <u>we recommend</u> that Management urgently:

i) continues the organization of ITU-wide trainings on all the practices and guidance currently in place at ITU, especially to BR an TSB;

ii) improve internal controls, through the creation of checklists based on accurate control steps, derived from the legal framework (management of conflict of interest, frauds, etc.), also including specific, consistent and effective indicators of fraud risk and errors, which could help supervisory authorities and/or independent evaluators to monitor and enhance internal controls. These checklists should be consistently applied in all Bureaus, creating an audit trial where supervisors could monitor the work of project managers, where, as stated above, each step of control will contribute to enhance an effective internal control system.

__Comments by the Secretary-General__

ITU takes note of this recommendation. However, ITU would like to reiterate that the implementation of projects is mostly under the mandate of BDT, reason why the measures put in place to strengthen project management in ITU have been focused on this Bureau.

However, ITU confirms that the principles of project management adopted in BDT could be applied to the management of other activities led by the rest of the Bureaux and the General Secretariat. As a result, HR has included staff from across the Union in the project management certification programmes organized in 2019 and 2020. In addition, the Project Support Division of BDT works in close relation with the legal unit of ITU, as well as with relevant departments from the rest of the bureaux to share the templates, legal agreements and lessons learned in the implementation of ITU projects, so that these can be applied in other activities and programmes.

In terms of future improvements, ITU takes notes of this recommendations and will continue sharing best practices and information on procedures, training and the dissemination of checklists to support supervisors and staff from across all Bureaux.

PERSONNEL

Personnel Expenses: did the staff expenditures represent the ITU efficient management of human resources?

192. As already seen, Personnel Expenses are a part of the item of expenditure, which consists of several accounting arguments: Employee expenses, Mission expenses, Contractual services, Rental and maintenance of premises and equipment, Equipment and supplies, Depreciation and impairment losses, Shipping, telecommunication and service expenses, Other expenses, In-kind expenses, Finance expenses.

193. The expenditure sub-heading for staff cost (Employee expenses) refers, in turn, to an aggregate of items, which, however, does not refer to the total expenditure of ITU in relation to the "workforce", but only to that relating to permanent staff and staff recruited for conferences or holding short-term contracts. For this reason, expenditure for consultants is treated below in accordance with the accounting allocation used.

In thousands of CHF	2021	2020
Salaries and allowances	98,136	95,278
Other employee expenses	52,281	58,547
Installations and repatriation	2,005	567
Education grant	3,576	3,300
Home leave	805	984
Accrued leave	1,007	2,997
Health & accident insurance	9,670	9,453
UNJSPF contribution	17,631	17,186
other expenses	322	1,271
Adjustment ASHI	17,265	22,789
	150,417	**153,825**

194. The following table shows the tendence of the impact of personnel cost on the total expenses in the last four years.

Staff Cost Ratio	2018	2019	2020	2021
Staff Cost	148,806	203,942	153,825	150,417
Total expenses	184,365	244,640	217,632	190,413
Staff Cost Ratio	81%	83%	71%	79%
Regional presence	Employee expenses			7,232
	Actual expenses Regional presence			7,410
	ITU Expenses			190,413

Source: EA Corte dei Conti from ITU Data (ITU_ FFSS2021_Ratio 2021 _Staff Cost Ratio pag.2and FS2021)

195. The incidence of expenditure on regional presence is 3.9% of the total expenses. The main item of regional expenditure is personnel costs, which represent 97.6% of the expenditure incurred in 2021 for the regional presence.

196. In previous reports, we had focused on the correctness of transactions for the payment of salaries and other benefits to employees. We had also analysed the issue of the accumulation of annual leave.

197. We carried out an analysis of the expenses related to salaries and employee benefits, in order to have assurances about the reliability, accuracy and compliance with ITU policies and procedures. In the previous reports we had focused extensively and verified this.

198. With regard to 2021, we have considered events that, within the employment relationship of the ITU, caused obligations of payment in favour of the employee and, therefore, expenses. These included the payment of accrued holidays.

199. Annual leave, under the ITU Staff Regulation 5.1 states:

"a) Staff members shall be entitled to annual leave with full pay at the rate of 30 working days for 12 months' service with the Union.

b) All arrangements as to leave shall be subject to the exigencies of the service but the personal circumstances and preferences of individual staff members shall as far as possible be considered."

200. As for the accumulated holidays, Staff Rule 5.1.1 d) states: "*Not more than half the days of annual leave due in any calendar year may be carried forward from that year to the next, and the total of annual leave carried forward shall not exceed 60 days, provided that any staff member who may have accumulated more than 60 days prior to 1 January 1960 shall be entitled to retain the number of days so accumulated and not subsequently used*."

201. Staff Regulation 9.16 – Commutation of accrued annual leave, also states: "*If upon separation a staff member has accrued annual leave, he shall be paid in lieu thereof a sum of money for the period of such accrued leave, less staff assessment, where applicable, up to a maximum of 60 working days. The payment shall be calculated in accordance with the terms and conditions applied by international organizations of the United Nations common system*".

202. The 60-day term is the maximum limit set by United Nations regulations, and the amount of the compensation is calculated based on the number of accumulated leave days, the monthly salary and post adjustment. The values are parameterized in working days with respect to the year.

203. In ITU, the balance of annual leave increased from 21,686 days in 2020 to 22,913 in 2021, with reference to about 700 employees and an average value/employee of 33 days.

204. We verified that the financial service monitors this expense and provides for the finalized provision, which increased, compared to the previous year, and amounted to 11,312,924.03 CHF in 2021.

205. The analysis of the documentation showed that at ITU there are no limitations or rules that coordinate any needs of the organization to contain expenses with the accumulation and management of holidays, in particular with regard to events in the employee's working life that are planned, such as in the case of termination of the contract or withdrawal from service.

206. It should be noted that this lack of regulation may represent a potential risk of inactivity in managing the sustainability of employee spending. The choice to

freely accumulate holidays seems to be left entirely in the hands of only one of the parties to the employment contract, that is, the employee, while the organization does nothing but pay.

Recommendation n. 13

207. <u>We recommend</u> that the monitoring of expenditure is also accompanied by a review of the current regulatory framework, for a correct organization of the periods of work and the accrual of holidays in view of the end of the service, and we also recommend reviewing and strengthening the rules relating to the days of leave that can be accumulated by staff before leaving the organization.

<u>Comments by Secretary-General</u>

ITU takes note of this recommendation. However, we would like to highlight that the current policy follows the exact regulatory framework of the United Nations system, which allows staff members to accumulate a maximum of 60 days of accrued annual leave.

The Staff Mobility Policy needs to be implemented

208. The Staff Mobility Policy was identified in our previous reports as a factor to be monitored and addressed for risk elements. It has been the subject of the WGIC Action A20: Promulgation of a staff mobility policy.

209. The service order 20/14 "*Policy on mobility assignments*" was issued on 17 November 2020. It is available on the ITU intranet for all staff. Mobility efforts have started in particular giving staff opportunities to lead or be part of project teams even if outside their sector. In this sense, a mobility framework established the possibility for short term mobility assignments (detachments), some of which have occurred in 2021(1 GS – 5P) and in 2022 (1 GS – 1P).

210. We found that no activities have been undertaken to give effect to these actions and that the WGIC limited itself to acknowledging the issuance of the aforementioned service order.

211. The rules and staff regulations of the ITU provide for the ability to move personnel. The contract between the ITU and the employee commits the latter to fulfil all his/her obligations and respect the duties he/she has signed. There are therefore the prerequisites of the legal framework for a mobility policy.

212. In light of the service order 20/14 "Policy on mobility assignments" and also considering that ITU is part of a contractual employment relationship that provides for the possibility of worker mobility, <u>we recommend</u> that the mobility policy be timely and effectively implemented.

__Comments by Secretary-General__

ITU accept and understands fully the importance of this recommendation. Mobility is being actively considered and new modalities have been designed, however this recommendation should consider and recognize the disruption to any decision requiring travel over the past two years. Further, the decades within which mobility as not been implemented, and the average tenure of staff presents challenges which are being considered in the design of appropriate processes. The new proposals are being considered with HRMD.

The use of consultants and contracts of SSA in ITU and its expenditure

213. In our previous reports, we analysed expenditure for consultants, and we invited the Organisation to make the regulatory framework more efficient and to monitor the expenditure and the employment process.

214. A sample of SSA contracts of ITU for the provision of work – as an advisor and not hired personnel – was analysed, with an expense that falls in 2021, also for some contracts that expire in the future but that have had an expense allocation in the regular budget.

215. To have a better examination, we chose a sample of contracts, the expenditure of which was paid in extra budget in 2021. From the examination of the dossiers and from the interlocution with the officers of the Human Resources Department, we understood that some measures have been taken, which however entered into force in 2022, including the conversion and filing of entire dossiers.

216. We had evidence that not all documentation concerning the consultant is kept in these acts, especially some, such as the Declaration of Absence of Conflict of Interest that each new SSA contract will have to sign, an electronic system and the documentation of evaluation of the work; this one is at each of the offices or Departments concerned, and the information is collected at the moment, while to

make the payment the procedure used is only the electronic visa by the persons who must approve.

217. As in the previous report, we found that information and documents that create mutual obligations and are a source of payment as labour costs can be, over time, subject to dispersion, loss of readable format and risk of manipulation.

Recommendation n. 15

218. In order also to protect ITU in the event of a dispute, in which it is unable to produce useful documents because they are dispersed or disaggregated, we recommend adopting a system that allows at least a complete and exhaustive filing of the documents relating to the SSAs' employment relationship, which can be accessed over time.

Comments by Secretary-General

ITU accepts this recommendation. As mentioned in point 215 above, HRMD has taken steps to ensure the conversion and electronic filing of the complete dossiers for personnel in all contractual modalities (including SSAs) in a searchable SharePoint database.

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219. With regard to the Declaration of absence of conflicts of interest for SSA contracts, HRMD reported that an automated online acquisition procedure has only recently been initiated (it began in 2022).

Recommendation n. 16

220. We recommend reviewing all existing contracts that do not have the Declaration of absence of conflicts of interest signed by the SSA contractor; we also recommend that the Ethics Officer be involved in the monitoring of such SSAs declarations.

Comments by Secretary-General

ITU accepts this recommendation. All existing contracts will be asked to fill the new electronic form. The Ethics Officer is fully involved in the monitoring of these declarations and is automatically informed by the electronic system when an individual fills in the new Declaration of Interest form.

ITU 2021	NR SSA CONTRACTS	TO be PAID (USD)	PAID (USD)
REGULAR BUDGET	163	1,737,650.00	1,648,680.00
EXTRA BUDGET	108	936,638.00	185,970.00
TOTAL	**271**	**2,674,288.00**	**1,834,650.00**

Source: Corte dei conti from ITU Data

221. We have analysed the data relating to the number of people, the type of contract and the expenses for the performance of work in favour of the organization.

222. On 31 December 2021 there were 718 Permanent/Continuing/Fixed-term staffs and 150 of Short-term Staffs; at the same date, the number of SSA contracts ended in 2021 was 823.

SSA 2021	914	
SSA contracts ended in 2021	823	
	SSA in Regional Office	**184**
	SSA contracts Duty Station Geneve	**489**
	• Translator	131
	• Garde	17
	• Field Home	25
	• HQ Daily	30
	• HQ Home	195
	• HQ Lumpsum	13
	• HQ Monthly	78

Source EA Corte dei Conti from ITU data

223. With regard to staff contracts, the total expenses were subject to analysis. The Geneve Duty Station absorbed 97.3% of short time staff and related expenditure, the 91.8 % of permanent/fixed staff and related expenditure and the 40.2 % of SSA contracts ended in 2021.

		Amount	Number of persons
1. Actual expenditure 2021 for all staffs		**150,493,640.16**	**868**
1-1. For Permanent / Continuing / Fixed term (including Elected officials)		119,713,098.52	718
1-2. For Short-term		6,629,519.95	70
1-3. For Short-term - Interpreters		1,568,287.05	80
1-4. For other staff expenditure		22,582,734.64	*Costs (Retired/assurance/ASHI)*

Contract Type	Employee Subgroup	Duty Station	Number of Employees
Short-Term	Interpreter	Switzerland	80
	Translators	Switzerland	9
Short-Term	General Service	Switzerland	23
	Professional	Switzerland	34
			146
Continuing	General Service	Switzerland	106
	Professional	Switzerland	157
Fixed Term	Elected	Switzerland	5
	General Service	Switzerland	51
	Professional	Switzerland	129
Permanent	General Service	Switzerland	93
	Professional	Switzerland	113
			654

Source EA Corte dei Conti from ITU data

224. The SSA contracts for Regional Offices in 2021 amounted to 184, about 20% of the total SSA contracts of 2021 (914).

Regional Office	Number of SSA
RO for Africa	24
RO for Americas	58
RO for Arab States	29
RO for Asia & the Pacific	32
RO for CIS countries	41

THE BANGKOK FRAUD CASE

Quantification

225. On 21 October 2021, the Secretary-General tasked a Certified fraud examiner, internal staff, to follow up our recommendations and provide a quantification of

the fraud's perimeter, also for a correct representation in the Financial Statements of the amount related to fraud. In March 2022, the staff was able to define a more precise perimeter and values in the statements have been corrected accordingly.

226. The quantification brought to several results, such as "red flags" and further internal inquiry that was led using internal resources but, more important, the sending of all relevant documents to the Thai Anti-Corruption Authority, which started its investigations also considering the soundness of the findings. However, due to the length of the process, for the moment Management decided not to book in the accounts any amount but the provision for legal fees.

Recommendation n. 17

227. Having the quantification exercise detected more subjects involved in the fraud perimeter, but being for ITU impossible to start investigations – due to its international status – without losing its immunity, and whilst considering that the costs for legal services might be significant for ITU for starting trial at local tribunals, we recommend that Management continue efforts i) in recovering amounts subject to fraud, finding agreement with local authorities to try to recover them, ii) also establishing *ex-ante* protocols with donor Member States that can help to build a legal and contractual framework for better prosecuting frauds that damages or ITU or the donor.

Comments by the Secretary-general:

ITU takes note of this recommendation. A study will be conducted to explore this possibility.

The independent assessor

228. In our financial audit report on FS2020, with recommendation n. 11 we recommended that ITU should conduct a specific assessment on the reason why the Internal Audit Unit (IAU), that was also tasked with investigative authority, was not able to capture timely the major financial, fraud and reputational risks in the organization, thus not effectively protecting the Secretary-General in his duties.

229. Following this recommendation, the Secretary-General tasked an external assessor to carry out the assessment. The external assessor issued on 29 July

2022 a report "for the ITU General Secretariat", named "*ITU: Assessment report following the Regional Office Fraud case*".

230. The conclusions of the report were that "*if the fraudulent activities had been identified in the course of IAU's 2016 inspection, and if this had led to WA's quick suspension from all ITU activities, the financial damage incurred would have been reduced by around CHF1-1.2 million*".

231. Moreover, in the report have been indicated people that not cooperated effectively and should be subject to administrative disciplinary procedure.

Recommendation n. 18

232. Considering the outcome of the report issued by the external Assessor regarding the Bangkok fraud case, <u>we</u> therefore <u>recommend</u> following it up through adequate administrative procedure.

Comments by the Secretary-general:

ITU takes note of this recommendation. ITU acknowledges the importance of administrative procedures and will assess how the cases – reported on by External Audit – should be taken forward.

Working Group on Internal Controls: the Action Plan and its independent assessment performed by IAU.

233. On 29 July 2022, IAU sent to the Secretary-General a report named "*Audit of Working group on Internal Controls' actions*" (SG-SGO/IA/22-09), where IAU was tasked to provide assurance to the ITU SG as to the governance, risk management and effective internal controls with respect to the completed/implemented WGIC actions, as defined by the WGIC. The report was forwarded to us on 1 August.

234. The Action Plan is composed of 24 Actions, and the IAU preliminarily forwarded us its "*Audit Objectives*" and its audit's scope: "*covered actions reported as completed in the time span 2019-2021 as identified in document C22/20*".

235. It is worth mentioning that i) the IAU assessment considers the status at 31.12.2021 and ii) in the IAU Report, <u>only 20 Actions</u> (out of 24) have been assessed because the remaining 4 were still considered under implementations, namely:

- A21. E-recruitment/competitive procedures for consultants' selection;
- A22. IT4BDT Project;
- A23. Consultants;
- A24. ITU Accountability Framework.

236. We will consider these four Actions still "in progress" in our general assessment of the Internal Controls.

237. In the Executive Summary of the Report "Audit of Working group on Internal Controls' actions", IAU summarized in the "overall opinion" paragraph, that for 11 out of 20 Actions (the assessed ones, as stated above), no recommendations were issued, namely actions n. 02, 04, 05, 06, 07, 08, 10, 11, 16, 19 and 20.

238. In relation to the remaining 9 Actions, 13 recommendations have been issued, of which:
- 2 recommendations marked as "high priority" were issued on Actions n. 15 and n. 18 (respectively, on "strengthened travel procedures" and "strengthened sponsorship policies), and
- 11 recommendations marked as "*medium or low priority*" have been issued on Actions n. 1, 9, 12, 13, 14 and 17.

239. In its Report, IAU assessed all Actions with reference to the "COSO" internal control framework, considering five components (namely "*Governance*", "*Risk Assessment*", "*Information and Communication*", "*Internal Controls*" and "*Monitoring activities*") and providing 6 different "*conclusions*":
4) Fully Adequate/Effective,
5) Largely Adequate/Effective,
6) Partially Adequate/Effective,
7) Largely Inadequate/Ineffective,
8) Totally Inadequate/Ineffective,
9) Not assessed.

240. In order only to offer a statistical data to the reader, out of 20 Actions assessed by IAU, having 5 components each (as reported in the previous paragraph), we have 100 potential "*conclusions*", of which, IAU never classified two of them as "Totally Ineffective"; 14 have been considered as "not assessed", 10 as "Partially Adequate/Effective", 16 as "Largely Adequate/Effective" and the remaining 58 as "Fully Adequate/Effective".

241. IAU forwarded to us this Report on 1 August 2022 and, having a limited amount of time for assessing if we could rely on it or not, we assessed only a sample of

actions, namely the ones with "No recommendations issued" or having recommendations with "Medium" or "Low" priority against the IAU "Audit Objectives" and document C22/20.

242. In relation to Actions 1 and 2, related respectively to "*policy against fraud, and other prescribed practices*" and to "*Investigation guidelines*", they were considered by the IAU as "*Fully or Largely Adequate/effective*", assessing against the IAU "*Audit Objectives*" that were focused on the "*adequacy, effectiveness and reliability*" of the policies and guidelines above mentioned; however, we have been informed that, considering that the audit was assessing Actions implemented at the latest by end of 2021, the Investigator (who joined ITU in February 2022) was not formally interviewed, however she had the opportunity to provide observations for factual correctness of the findings at the drafting stage of the audit report.

243. Furthermore, weaknesses in the above mentioned policies and procedures over fraud and investigations (e.g., in the efficiency and effectiveness of the corrective actions taken by Management and/or in their follow-up), have been considered in our present Report (see, for example, Recommendation n. 10) or in our follow-up to previous recommendations: in our opinion, all these aforementioned elements, bring us to different conclusions in comparison to the positive assessment provided by IAU.

244. Regarding Action 6, this is related to "*effective management of bank accounts and cash in ITU's regional/area offices*"; in this case, IAU considered the action as "*Fully Adequate/effective*", except for "monitoring activities" that were assessed as "*partially effective*"; however, no recommendations were issued.

245. We revised the Audit Objectives related to this specific Action 6, as stated above; considering that, on this matter, we have issued several recommendations (e.g., 28), we do not concur with the IAU assessment, that overall assessed it as "Fully Adequate/effective".

246. In relation to Action 5 which, summarizing, is related to the Inspection conducted in 2019 on "*Regional/Area office activities-projects, regional initiatives, actions*)", IAU considered the action as "Fully Adequate/effective", except for "Internal Controls", considered as "not assessed"; no recommendations issued.

247. The basis for the assessment of this Action is the IAU Report issued in 2019, where 8 recommendations were issued, of which, 3 are still under implementation.

248. We acknowledge that the IAU considered the work related to Action 5 as "*done, no additional work needed*" (as stated in document C22/20); however, being the implementation of 3 out of 8 recommendations still outstanding, in our opinion, IAU assessment should not have ended in a "Fully Adequate/effective" evaluation.

249. Furthermore, in IAU Report the "Internal Controls" for this action are "not assessed"; on the contrary, this area is considered at high risk, not only for the inherent nature but precisely for the weaknesses in the controls, with several recommendations issued not only by IAU but also by us in the past; *in our opinion*, although understanding that the action was only aimed at assessing the completeness of the audit activity that IAU had carried out, its assessment of "*Fully Adequate/effective*" could be misleading, considering the recommendations still pending in such area.

250. Having revised, on a sample basis, the IAU Assessment of the above-mentioned Actions, considering also that in several cases we issued recommendations on the main topics which are still under implementation, we do not concur with the IAU assessment, and we decided not to fully rely on it, meanwhile we consider recommendations issued by IAU as valid and we will consider them overall in our audit.

Working Group on Internal Controls: our assessment is that the Action Plan is not exhaustive for covering all the severe weaknesses in internal controls.

251. The Working Group on Internal Controls (WGIC), as stated in the above paragraphs, developed and monitored an "Action Plan" which is composed of 24 Actions, as identified in document C22/20.

252. In line with what reported by WGIC and also confirmed by IAU in its Report SG-SGO/IA/22-09, dated 29 July 2022, only 20 Actions out of 24 are reported "(…) *as completed in the time span 2019-2021 as identified in document C22/20*".

253. As also stated in the previous paragraphs the remaining 4 Actions, still considered under implementations, were:
   - A21. E-recruitment/competitive procedures for consultants' selection;
   - A22. IT4BDT Project;
   - A23. Consultants;
   - A24. ITU Accountability Framework.

254. We forwarded to Management, in parallel with this Report, our recommendations issued after our audit of the Brasilia Regional Office with the Special Report "Audit

of the Regional Office for the Americas"; they were all used as a basis for our assessment of the Action Plan.

255. We understood from Management that the 24 Actions were mainly developed from External and Internal auditors' recommendation and, after having had meetings with Management on this subject, we observed that we had divergences not only in the assessment of the actions (whether "effective" or "ineffective"), but also in the interpretation of what should have done the Management in our opinion in order to implement our recommendations effectively.

256. Our audit of this year, including the field audit of the Regional Office in Brasilia, through the set of recommendation issued, allow us to understand that the Action Plan was not able to intercept and consider several risks that should have been properly mitigated through effective corrective actions.

257. This lack of detection of the major risks by Management, jointly with the fact that not corrective actions have been performed till now on these risks, have brought us to the consideration that severe weaknesses in internal control are still existing, especially in areas as hiring of consultants (SSA) and project management.

258. For instance, following our recommendations, not being able the Action Plan to consider that, when donor and beneficiary coincide (please refer to recommendation n. 21 of the Special Report), or when donor (or the beneficiary) has an interest in common with the supplier, there is a potential conflict of interest that should have been duly investigated or even avoided if the legal framework would have not allowed these situations: these risks should have been part of the Action plan.

259. Furthermore, also considering that a large part of the ITU activities on projects is based on consultants (SSA), this risk of conflict of interests is even amplified and it is not yet implemented an effective internal control framework that could prevent conflict of interest and/or fraud risks.

260. As an example, only after our audit in the Regional Office of Brasilia, as reported by us, Management became aware of issues like, *inter alia*, i) IT servers not fully secured ii) local contracts continuously renewed without respecting procurement manuals iii) staff presence etc. These issues would have deserved immediate corrective actions; furthermore, none of the 24 Actions envisaged in the Plan considered the opportunity to develop a system of fraud indicators or monitoring actions (for preventing, as an example, our findings mentioned above) which had

to be continuously monitored by an independent controller, as for instance, foreseen by International practices (for instance the COSO framework, when requesting a "second line of defense").

261. In conclusion, for the above-mentioned reasons, for all the recommendations still ongoing and issued during this year of audit, we could not consider the Action Plan as exhaustive.

Recommendation n. 19

262. Following our recommendations issued in the Special report for Brasilia regional Offices, and in this report, we could not consider the Action Plan as exhaustive of all the possible actions that ITU deserves for avoiding severe weaknesses in internal control, in particular in certain area that are resulted of high risk in terms of control, fraud and conflict of interest, and that can lead ITU to face reputational risks (for instance, project management and hiring of consultants). For this reason, we recommend that Management start a thorough and comprehensive exercise, in order to define more effective Actions, especially in high-risk areas.

Comments by the Secretary-General

ITU takes note of this recommendation. An exercise in this direction will be conducted to explore this possibility.

Recommendation n. 20

263. During our audit of the Regional Office of Brasilia, we have observed that there are many areas that need to be urgently improved, and we have issued several recommendations. Recalling all of them, as a general view, and in order to prevent risks and take immediate corrective actions, we recommend assessing whether, at least for the regional presence and/or for high risky areas as at-today detected (for instance SSA, and Project management), ITU have the need of a continuous monitoring by an independent controller, as for instance, envisaged by International practices (for instance, the COSO framework, when requesting a "second line of defence").

Comments by the Secretary-General

ITU takes note of this recommendation. We continue to improve our control mechanisms and monitoring systems in all departments and offices.

STATEMENT OF CHANGES IN NET ASSETS FOR THE PERIOD ENDED 31 DECEMBER 2021

264. Table III "Statement of changes in net assets" represents not only the movements of cumulated allocated and non-allocated own funds, and IPSAS effects, but also movements for each own fund, as reported in Note 3 (see also para. 122 seq.).

TABLE OF CASH FLOWS FOR THE PERIOD ENDED 31 DECEMBER 2021

265. The Table of cash flows identifies the sources of cash inflows, the items on which cash was spent during the reporting period, and the cash balance as at the reporting date.

266. In 2021, the ITU reported a cash flow from operating activities of 21.2 MCHF, where at the end of 2020 it was of -21.1 MCHF. A positive cash flow was reported from finance activities (6.3 MCHF), represented by the repayment of the FIPOI loan.

267. Net cash flows from investment activities (-6.2 MCHF) showed a positive variation from 2020 (-67.6 MCHF); this is explained with the retainment of the same level of investments between 2020 and 2021 (95.0).

268. This was reflected in the net result of cash and cash equivalents, which showed an increase of 31 MCHF in 2021, from 99.4 MCHF at the beginning of the year to 130.4 MCHF at the end of the year. We checked the underlying entries by selecting samples from some accounts. The result was that all chosen transactions were properly backed by supporting documentation. The Cash Flow Statement is thus verified and confirmed.

COMPARISON OF BUDGETED AMOUNTS AND ACTUAL AMOUNTS FOR THE 2021 FINANCIAL PERIOD

269. Table V "Comparison of budgeted amounts and actual amounts for the 2021 financial period" is drawn up in compliance with IPSAS 24, which requires that this comparison, arising from execution of the budget itself, should be included in the Financial Statements. The Standard also provides for the disclosure of the reasons concerning the material differences occurring between budget and actual amounts.

270. Table V also includes an accounting reconciliation of the differences between the budget out-turn (actual amounts) and the amounts recognized in the accounting statement. Further details are provided in Note 26 to the Financial Operating

Report, and we also refer to the Secretary-General's comments reflected in the Financial Operating Report.

STAFF SUPERANNUATION AND BENEVOLENT FUNDS

271. Two Funds are reported in Annex B3 of the Financial Operating Report: the "*Reserve and Complement Fund*" (with Total Assets amounting to 5.9 MCHF (in 2020 they were 5.8 MCHF) and the "*Assistance fund*" (with Total Assets amounting in 2021 to around 0.3 MCHF, same as 2020).

272. For the "*Reserve and Complement Fund*" in the Liabilities, an actuarial provision of 54 KCHF is recorded under the item "*Employee benefits*", in line with an actuarial valuation performed in 2010.

273. As stated in Note 2 to the Financial Operating Report, these funds "are the set of funds that guarantee the pensions of employees who were in service prior to 1 January 1960, the date on which ITU became affiliated to the United Nations Joint Staff Pension Fund". In 2021, the Reserve and Complement Fund paid out 15 retirement pensions (16 in 2020) and 16 survivor's pensions; the Assistance Fund served to assist staff members and pensioners in difficult financial situations.

274. In 2021, a surplus amounting to CHF 124 for the Reserve and Complement fund was due to the interest on short-term deposit made in USD.

UNITED NATIONS DEVELOPMENT PROGRAMME (UNDP), INFORMATION COMMUNICATION TECHNOLOGY DEVELOPMENT FUND (ICT-DF), AND TRUST FUNDS

275. In Note 20 to the Financial Operating Report there is the breakdown of these two categories of non-current Liabilities: "Allocated third-party funds" and "Third-party funds in process of allocation". The table also showed the ITU own funds allocated to extra-budgetary projects.

276. Rule 5 in Annex 2 of the Financial Regulations provides that "*a separate account for each voluntary contribution or trust fund shall be opened in a special account of the Union*".

277. Annex B4 to the Financial Operating Report shows the Trust Fund projects, financed by the Special Fund for Technical Cooperation (SFTC) – intended to meet the needs of developing countries requesting urgent assistance and based on voluntary contributions – and, partly, by a withdrawal from ICT-DF, authorized by a decision of the ICT-DF Steering Committee. Other projects are funded with

specific voluntary contributions (they are shown in Annex B5) and are governed by agreements with donors. Annex B6 lists the projects related to ICT-DF.

278. As shown in the above-mentioned table under Note 20, ITU own funds allocated to projects amounted in 2021 to 8.1 MCHF, similar to the 2020 value of 8 MCHF.

279. The total third-party funds also increased in 2021 (50 MCHF) compared to 2020 (42.8 MCHF), due to an increase of newly signed and paid projects agreements. Third-party funds awaiting allocations decreased in 2021 to 3.7 MCHF (they were 4.4 MCHF in 2020).

ASSESSMENT OF THE INTERNAL AUDIT FUNCTION

280. In accordance with International Standards, such as ISSAI 1610 and related ISA 610, ISSAI 200 c.2.45, INTOSAI gov 9140 and 9150, the External Auditor has to carry out an assessment of the Internal Audit function. To perform this assessment, we consider not only the aforementioned standards, but also the International Standards for the Professional Practice of Internal Auditing[3] (hereinafter abbreviated as IIA[4] standards).

281. In the second year of mandate as the external auditor of the ITU, we have already carried out the assessment of the Internal Audit function, issuing one recommendation and five suggestions (see our financial audit report on FS 2013). However, also on the advice of IMAC, at the end of our mandate, we decided to carry out a new assessment, before leaving the Union.

282. The internal audit function at ITU is located in the Internal Audit Unit (IAU), which also covers other functions, like inspections, evaluations, as stated in the IAU charter. The charter still provides for IAU to investigate allegations, or presumptions, of fraud and mismanagement as well, however the latter was detached from the IAU in 2021 and a separate post was established for an investigator, who was hired in 2022.

283. This assessment does not directly cover other functions assigned (or formerly assigned) to IAU, unless there is a need to make a general reasoning linked with the audit function. Nevertheless, some paragraphs related to the other functions assigned to IAU and related recommendations are elsewhere in this report.

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[3] International Professional Practices Framework (IPPF)
[4] The Institute of Internal Auditors

Reference Framework for the assessment: Guidelines, IT Tools and internal documents utilised for the assessment

284. As in our previous assessment, we have used the Audit Guideline 202 "*Evaluation of Internal Audit Services In The United Nations Organizations*", adopted by the Panel of External Auditors of the United Nations, the specialized Agencies and the International Atomic Energy Agency at its 34th session in November 1992. A new section was added to these guidelines at its 35th session in November 1993, and the foreword was revised at its 41st session in October 2000.

285. The guideline was reviewed and updated by our team; the resulting checklist was uploaded in a tool, a SharePoint app, prepared by the Corte dei conti, to which the Head, IAU was given remote access.

286. The tool provides for a section of general questions, where requested documents can be uploaded, and a checklist composed of 118 questions, divided among nine different criteria, each one of which is related to a different subject, like, for example, "organizational status and mandate", "scope and responsibilities", "professional resources", etc. the original tool envisaged eight criteria, we added in 2021 a ninth one, related to the impact of the pandemic on the Internal Auditor work.

287. The Head, IAU completed his task and provided a full information, also uploading relevant documentation. We have downloaded and analysed it.

288. We carried out our assessment through interviews, meetings and exchange of emails with the Head, IAU, and through the analysis of key documents. We have also analysed the files related to some of the audits performed in the last years by IAU.

289. Below, a list of some of the documents we analysed for the internal audit assessment:

- ITU Financial Regulations and Financial Rules (last update, 2018);
- Internal Audit manual (edition 2016/2012);
- Internal Audit charter, defined with Service Order 13/09 of the ITU Secretary-General (27 June 2013);
- the plan of work of the Internal Audit Unit for 2022;
- the plan of work of the Internal Audit Unit for 2021;
- the Report of the Internal Auditor on internal audit activities (doc. C20/44-E on 27 April 2020), covering from May 2019 to April 2020;

- the Report of the Internal Auditor on internal audit activities (doc. C21/44-E on 31 March 2021), covering from May 2020 to March 2021;

- Quality Assurance Review of the Internal Audit Unit – February 2020;

- Reports of the Independent Management Advisory Committee (IMAC):

  - Sixth annual report of the IMAC (2017);

  - Ninth annual report of the IMAC (2020);

  - Tenth annual report of the IMAC (2021);

  - Eleventh annual report of the IMAC (2022);

- Reports of the Joint Inspection Unit:

  - JIU/REP/2016/1, "Review of management and administration in the International Telecommunication Union (ITU);

  - JIU/REP/2016/8, "State of the Internal Audit Function in the United Nations system";

- Other miscellaneous documents.

Main findings

Working standards – the external Quality Assurance Review (QAR)

290. IAU, for the internal audit function, follows International Standards, with specific reference to the standards of the Institute of Internal Auditors, quoted both in the IAU Internal Audit Manual and in the Charter for IAU.

291. As required per the IIA Standards 1300 to 1320, the compliance with the standards was recently reviewed by an independent and qualified assessor tasked to carry out the Quality Assurance Review of the Internal Audit Unit. The external assessor, by giving an overall conclusion of "Generally conforms" for the IAU, highlighted, however, some weaknesses that should be corrected to improve the general framework and some specific areas.

292. We will consider the QAR only when functional to our assessment.

The Internal Audit charter should be urgently updated

293. As stated above, the IAU charter was defined on 27 June 2013 in the Service Order 13/09 of the ITU Secretary-General. It is included in the Internal Audit Manual of the ITU, Chapter 2, and it has never been updated since its issuance.

294. The fact of being included in the Internal Audit Manual does not mean that it is part of this, being subject to the same rules. Actually, whilst the internal audit

manual is regulated by the IIA standard 2040, the Internal Audit Charter discipline is under the IIA standard 1000, which states that "*The Chief Audit Executive* [i.e., Head, IAU] *must periodically review the internal audit charter and present it to senior management and the board for approval*".

295. Therefore, according to Standards, whilst the Internal Audit charter needs to be regularly updated, regardless of the size of the Organization and of the internal audit office, considering that the investigative tasks have been removed from the IAU since 2021, with the creation of a separate investigator position (which, further, currently has even no autonomous regulation), a thorough review should have been already done.

Recommendation n. 21

296. Considering that: (i) investigative tasks are no longer hinging on the IAU, (ii) the rules regulating the internal audit function need to be updated periodically in line with the IIA standard 1000, <u>we recommend</u> reviewing immediately the Internal Audit charter and its regulatory framework.

Comments by the Secretary-General

The recommendation is well noted, and an update/review of the Charter will be processed.

The Approval process of the Internal Audit charter need to be reviewed urgently

297. The Internal Audit charter at ITU is defined with a Service Order of the Secretary-General. The above-mentioned IIA standard 1000 states that it should be presented "*to senior management and to the board for approval*".

298. In order to enhance independence of the IAU in a public funded International organization such as ITU, we consider important that the Internal Audit charter should be presented to an independent body, technically capable to assess audit matters, delegated by the Council, which in ITU, could be considered the IMAC; its assessment of the Charter should be the basis for the approval by both the Secretary-General and the Council.

299. Our above stated consideration is also corroborated by JIU in its JIU/REP/2016/8, "State of the Internal Audit Function in the United Nations system", where, at paragraph 56, it is stated that "*In addition to approval by the executive head, it is essential that the internal audit charter be approved by the governing body and that such approval be appropriately documented in the minutes of the governing*

body meetings. In order to provide advice and guidance on the quality and relevance of the internal audit charter to the executive head and governing body, the oversight committee should be substantively involved in the review process".

300. This principle is strongly restated at paragraph 69, where it is written that "In line with the recommendations contained in JIU/REP/2010/5 and JIU/REP/2006/2 and with IIA Standards (2012), this review reaffirms that the following conditions are necessary for internal audit independence in the United Nations system organizations: (a) Approval of the internal audit charter by the governing body (…)".

301. The United Nations inspectors, also, highlighted this principle specifically for ITU in their report JIU/REP/2016/1, "Review of management and administration in the International Telecommunication Union (ITU)", where, at paragraph 176, underlined that "*the Inspectors encourage ITU management to review its Internal Audit Charter and the corresponding Financial Regulations and Financial Rules pertaining to internal audit on a more regular basis, i.e., at least every three to five years; moreover, they believe that the Charter should be presented to and approved by the Council*".

Recommendation n. 22

302. In order to enhance independence of the IAU in a public funded International organization, and in line with JIU statements, which consider necessary "*for internal audit independence in the United Nations system organizations: (a) Approval of the internal audit charter by the governing body (…)*", and "(…) *In order to provide advice and guidance on the quality and relevance of the internal audit charter to the executive head and governing body, the oversight committee should be substantively involved in the review process*", <u>we</u>, therefore, <u>recommend</u> that the regulatory framework should be amended, envisaging that the Internal Audit charter be presented by Head, IAU, to the IMAC, and, after its assessment, be approved by both the Secretary-General and the Council.

<u>Comments by the Secretary-General</u>

This recommendation is welcomed, and it is to be noted that at the second Plenary Session in 2017, the ITU Council had already adopted the JIU recommendation for the Internal Audit Charter to be examined by the Council and decided that this would apply to the next update of the Charter.

> **To the Council's attention (4)**
>
> We draw the attention of the Council on the above recommendations, highlighting the need (i) that the Internal Audit charter be immediately reviewed, in order to match the regulatory framework with the current situation, (ii) that the IMAC and the Council be involved in the approval process of the Internal Audit charter, in order to preserve the independence of the internal audit function.

Audit plan and risk coverage

303. According to the IAU charter "the Head of ITU Internal Audit shall, on an annual basis, establish a risk-based plan to determine the priorities of ITU Internal Audit. Prior to the commencing of the year, the audit plan shall be submitted to the Independent Management Advisory Committee (IMAC) for review and to the Secretary-General for final approval".

304. We examined the plans of work of last three years, they are compliant with the requirements of the IAU charter. The plan is risk-based, and also presents a map of risks' coverage in a three-year rolling cycle.

305. In our previous assessment, with Suggestion n. 5/2013, we invited Head, IAU "*to adopt a multi-year audit plan, on a rolling cycle, based on a risk assessment exercise*". In addition, our Suggestion n. 7/2013 stated that "*Following our previous suggestion n. 5, considering that it might be difficult to cover all risks identified in a given year, we suggest IA to present in a multi-annual work plan a number of audits sufficient to cover, in a given term, major risks identified*". Both suggestions were closed with the follow-up of two years later, under the assurance that "*The 2016 audit plan is based on a risk assessment exercise and contains also elements to identify the mid-term major risks, which will be covered by the audits*".

306. However, during the years, we tested that the elements of the risk assessment and of the rolling cycle of coverage were not sufficiently expressed in the annual work plan of the IAU. This was also noted by the IMAC, which, in its annual report 2017, issued the recommendation 2: "*IMAC recommends that Internal Audit should take forward the adoption of multi-year risk based audit planning, including a rolling cycle of coverage, to ensure adequate oversight of key areas and operational activities over time, ensuring best use of Internal Audit's limited resources*".

307. A clear multi-year audit planning is needed to have a complete picture of the major risk areas that need to be covered with audit activity; it is still more

important for a mid-size organization like the ITU audited by a small-size Internal Audit unit, because the risk in this case that some areas remain unaudited for a long period is high, especially if something happens that distracts IAU from the audit activities to face other kind of activities (as it happened, not only for the fraud case but also for the pandemic).

308. The QAR evaluated as "Successful Internal Audit Practice" the fact that "The CAE operated on an annual planning cycle, which with such a small audit shop, was a valid way to operate with input during the year should risks or operations change fundamentally".

309. However, in our opinion, precisely because the IAU is small, a strategic long-term vision is necessary in planning the audit activities, in order to cover in a certain period (which cannot be the annual one, both for lack of resources and to avoid audit overload of the structures) all the areas of greatest risk of the organization.

310. This is clearly stated also by the JIU in the report JIU/REP/2016/8, mentioned above: at paragraph 85, the inspectors highlighted that "*A strategy serves to set a strategic mandate for the internal audit service, provides a clear long-term direction for annual audit plans and determines resourcing requirements. Formalizing this in a strategy provides transparency and sets clear expectations for the type of audit services and level of performance expected of the internal audit function*".

Recommendation n. 23

311. Recalling our suggestions 5 and 7/2013 and IMAC recommendation 2/2017, <u>we recommend</u> that Head, IAU adopt a risk-based audit plan with a multi-year perspective, including a rolling cycle of coverage, that maximise the use of the internal resources to ensure a regular coverage of the risks, key areas and activities of the Organization. The length of the rolling cycle (usually, three years) should be determined by the IAU, considering the resources available; the areas to be audited in the multi-year period should be disclosed, for example, in a table at the end of the annual plan.

<u>Comments by the Secretary-General</u>

ITU takes note of this recommendation. ITU fully recognizes the importance of the audit planning cycle/approach and based on the available resources, IAU will proceed in that way.

312. The plan is approved by the Secretary-General and submitted to the IMAC. The plan of work is also shared with the External Auditor and made available to ITU Management.

IAU staffing

313. The Internal Audit Unit is currently composed of four staff: the Head (P5), one senior auditor (P4), one auditor (P3) and one junior auditor (P2); the abolition of the former position of audit assistant allowed for the creation in 2021 of the new position of senior auditor without major financial impact. The background and the professional qualifications of the staff are compliant with the required standards and with the aims of their mandate.

314. From 2013 to 2018, the IAU was staffed with two auditors (including Head, IAU) and one General Service (Audit Assistant); from 2018 to March 2021, the auditors increased to three (including Head, IAU), in addition to the Audit Assistant.

315. The current composition of the IAU, increased in the last years in term of staff and level of experience (reflected by a higher grade), was considered appropriate by IAU to fulfil its tasks, also considering the removal of the investigative responsibilities. During the time when IAU was also undertaking investigative tasks, its Head reported to us that the unit was under-staffed, considering the multiple functions that the office was covering, according to the IAU Charter: internal audit, investigations, inspections, and other management support to strengthen the functioning of ITU.

316. Reading the annual reports on audit activities of last years, it emerged that, until 2019, between 3 to 6 audits and inspections were carried out annually (in 2017, 5; in 2018, 4); in 2019 only one audit was carried out; the same happened in 2020 and in 2021; in this period, IAU was to carry out numerous investigations, not only related to the Bangkok fraud case. However, our audits and related recommendations on control, fraud and reputational risks, showed that no adequate coverage of the key risks faced by the Union was provided in three years by IAU. We consider that the current staffing allowed IAU to program, in the audit plan for 2022, seven audits, of which two were completed until now.

317. In addition to this, we observe that no evaluations have ever been programmed in the annual audit plans. Actually, the IAU charter does not provide for an institutionalised evaluation function at ITU. This was also observed by the JIU in its mentioned report JIU/REP/2016/1, where, at paragraph 179, it is highlighted: "*The Inspectors are aware of the financial implications, but believe that the institutionalization of an evaluation function is a way to contribute to strategic*

direction-setting, learning and knowledge-sharing within all the components of the Union, provided that it is equipped with professional expertise and sufficient capacity". Within the UN, many oversight functions also comprise the evaluation function and an interagency professional network of such evaluation functions exists at UN level (www.uneval.org).

318. We were informed from Head, ITU, that at least two IAU staff are also skilled for carrying out evaluations, having followed regular training on evaluation; no specific certification is owned by the two officers. In this regard, even acknowledging that there is no formal or internationally accepted body which accredits evaluation practitioners and experts, there are some programmes (like the ILO International Training Centre's Monitoring and Evaluation Certification Programme) that certify the ownership of a specific skillset.

Recommendation n. 24

319. Considering that: (i) the evaluation function is important to be covered within the ITU, but the IAU is not formally intitled of the evaluation function, according to the IAU charter; (ii) the current staffing of IAU and their current skills could allow IAU to also carry out evaluations on a regular basis; therefore, <u>we recommend</u> that: (i) in the review of the IAU charter, the evaluation function should be institutionalised, setting the required skills; (ii) evaluation activity should be regularly envisaged in the IAU work plan.

Comments by the Secretary-General

ITU takes good note of this recommendation and it will be given the required attention also with all elected officials on how to enhance the evaluation function within ITU.

Enhancing professional skills through adequate training

320. The IAU staff are CIA (Certified Internal Auditor) and follow a regular training to maintain their status; the Head, IAU informed us that seven days on formal training per staff are envisaged, on an annual basis; however, this is not regulated through a formal plan.

321. Therefore, an annual training programme should necessarily be implemented in a way that skills and certifications owned by IAU staff are adequate to reach the objectives presented in the risk-based annual work plan, in order not only to fulfil

the requirements of the IAU charter, but also to determine the financial and human resources needed.

Recommendation n. 25

322. <u>We recommend</u> that an annual training programme should be established, aligned to the annual work plan, in order to assess the adequateness of the professional skills required for its implementation.

<u>Comments by the Secretary-General</u>

ITU acknowledges the importance of this recommendation and training needs as per the annual ePMDS of the IAU staff will in future also be reflected in an annual training programme for IAU.

Annual self-assessment and assessment of the internal control system

323. As seen above, a QAR was carried out in 2020. The previous assessment was carried out in 2015, and it consisted of a self-assessment of its audit activity, carried out in 2014, which was validated by a team of independent external assessors in 2015.

324. The new model of the Three Lines (issued by the IIA in 2020) states that, as the third line, the "*Internal audit:*

- Maintains primary accountability to the governing body and independence from the responsibilities of management.
- Communicates independent and objective assurance and advice to management and the governing body on the adequacy and effectiveness of governance and risk management (including internal control) to support the achievement of organizational objectives and to promote and facilitate continuous improvement.
- Reports impairments to independence and objectivity to the governing body and implements safeguards as required".

325. According to this model, we have the opinion that a full self-assessment, on a regular basis, is required. This principle was also underlined by the Jiu in paragraph 177 of its JIU/REP/2016/1 report: "*The Inspectors encourage ITU management to conduct such an independent assessment on a regular basis*".

Recommendation n. 26

326. In line also with JIU/REP/2016/1, para. 177: "*The Inspectors encourage ITU management to conduct such an independent assessment on a regular basis*", <u>we recommend</u> that Head, IAU should carry out a regular full self-assessment (at least every two years) of compliance with all IIA standards and with the three lines model, in order to support regular improvement of the IAU, determining all actions required.

Comments by the Secretary-General

The recommendation is well noted and a mechanism for regular self-assessments will be developed.

Independence of the IAU

Providing consultancies could impair IAU independence

327. According to its charter, IAU can also be requested to provide consulting services to the Organization ("the Head of ITU Internal Audit may provide consulting services within ITU. These consulting services are intended to add value and improve the ITU's governance, risk management, and control processes without ITU Internal Audit assuming management responsibility").

328. However, these services might impair independence; we are of the opinion that IIA standards are addressed mainly to "private" sector (which has different structures and needs), whereas, in International Organizations funded by public resources provided by member states, independence shall be strengthened.

329. We are aware that IIA standard 1130 provides for the possibility, under certain conditions, that the internal auditor be asked for consulting services, however, as we have recalled above, in public funded International Organizations, in order to enhance and preserve its independence and objectivity, the internal auditor should not provide consultancies in its Organization.

Recommendation n. 27

330. <u>We recommend</u> that the IAU charter be revised, stating that Internal Audit Unit cannot be asked for consulting services, unless, if needed, for a matter of urgency. In this case, objectives for this type of consulting service should be well defined, specifying *ex-ante* the measures to safeguard the IAU independence.

A term for the mandate of the Head, IAU is not envisaged in the current framework.

331. As in other UN organizations, in the IAU charter, or in the ITU Financial Regulations and Financial Rules, there is no term for the mandate of the Head of the Internal Audit Unit.

332. We underline that the JIU, in its report 2016/8, paragraph 80, stated: "*This review affirms recommendation 10 in JIU/REP/2006/2, which, inter alia, recommends term limitation and employment restriction within the same organization for the head of internal audit/oversight, and requests the governing bodies that have not yet done so to establish a "non-renewable tenure of five to seven years", "with no expectation of any further employment within the same United Nations organization at the end of the term"*".

333. Various factors were examined by the JIU inspectors: among them, the negative impact, especially in small organizations, of having a short-term mandate, which could cause a too high turnover and also make unattractive the post to well-qualified officers, who generally look for long-term employment. However, JIU concluded that a fixed-term mandate is recommended.

334. As the external auditor, we cannot establish the length of the term. JIU provided the most common range (*five to seven years*), but another term could be established. There may also be the possibility of a shorter duration, renewable once (for example, 4+4 years); however, this solution, in our opinion, would be more likely to affect the independence of the Head IAU during the first term, to ensure his/her renewal.

335. In line with the opinion expressed by the JIU, in *recommendation 10 in JIU/REP/2006/2, and with current practices at United Nations Level,* <u>we recommend</u> that the Terms of Reference for the Head, IAU be amended, providing for a non-renewable tenure of five to seven years for the post of Head, IAU, with the impossibility to be employed within the ITU after the end of the mandate.

Comments by the Secretary-General

ITU acknowledges the importance of JIU recommendations and will further refine the implementation of this one.

Approval of the annual audit plan

336. As seen above (paragraph 303), the IAU's annual audit plan is submitted to the Independent Management Advisory Committee (IMAC) for review and to the Secretary-General for final approval. This is not completely in line with the spirit of IPPF standard 2020, which states "*the chief audit executive must communicate the internal audit activity's plans and resource requirements, including significant interim changes, to senior management and the board for review and approval*".

337. In addition, as also observed above for the IAU charter approval process, we consider important that the annual risk-based audit plan, should be discussed, considered and approved – at least in the substance – by an independent body, technically capable to assess audit matters, delegated by Council, which in ITU, could be considered the IMAC.

Recommendation n. 29

338. <u>We recommend</u> amending the IAU charter, stating that a risk-based annual audit plan should be presented for approval by the Head, IAU to the Independent Management Advisory Committee, and that adequate resources should be provided by the Secretary-General in accordance with the approved annual audit plan.

The report of the external assessor on the fraud case

339. Following our recommendation n. 11/2020, with which we recommended "*starting as soon as possible a specific assessment on the reason why the IAU, that was also tasked of investigative Authority, was not able to capture timely these major risks in the organization (namely the financial, fraud and reputational risks), not effectively protecting SG in his duties*", the Secretary-General tasked an external assessor to carry out the recommended assessment.

340. The external assessor, with whom we also had a videoconference meeting, issued on 29 July 2022 a report "for the ITU General Secretariat", named "*ITU: Assessment report following the Regional Office Fraud case*": conclusions and recommendations formulated in the Report, in some way, have assessed the work of IAU; his assessment contains several elements that are in line with our recommendations, as listed above in our previous paragraphs.

341. We are taking into consideration in another part of our report the observations made by the external assessor: in the above assessment of the internal audit function, we focused on aspects not always considered by his work.

Cooperation between the Internal Auditor and the External Auditor

342. We acknowledge that Head, IAU, and IAU's staff provided full support and assistance to the External Auditor during the audit.

THE INTERNAL CONTROL SYSTEM FRAMEWORK: THE OTHER "THIRD LINES" OF DEFENCE.

The investigative function process needs to be redesigned

343. In the "Three Lines model", mentioned above, "*Management's responsibility to achieve organizational objectives comprises both first and second line roles. First line roles are most directly aligned with the delivery of products and/or services*

to clients of the organization, and include the roles of support functions. Second line roles provide assistance with managing risk"[5].

344. In this model, the third line is the Internal audit, which "*provides independent and objective assurance and advice on the adequacy and effectiveness of governance and risk management. It achieves this through the competent application of systematic and disciplined processes, expertise, and insight*".

345. However, as observed by the IIA, "*In some organizations, other third line roles are identified, such as oversight, inspection, investigation, evaluation, and remediation, which may be part of the internal audit function or operate separately*".

346. The highest level of experience in this sense, within the United Nations, is, in our opinion, the Office of Internal Oversight Services (OIOS), which is the internal oversight body of the UN. This body includes all "third lines": Internal Audit, Inspection & Evaluation, Investigation.

347. As already seen, in ITU, the Internal Audit Unit covered, until 2021, almost the same oversight functions; however, the model presented many differences and points of weakness:
   - The Internal Audit was the prevalent function;
   - Not all investigations carried out at ITU were entitled to IAU;
   - The office was understaffed, not allowing Head, IAU and staff to deal with all incumbent tasks.

348. As a consequence of the separation of the investigative function from IAU, we have above recommended amending the regulatory framework, considering that part of the discipline for investigations is still included in the (old) IAU charter.

349. Furthermore, we must observe that, in ITU regulatory framework, Ethics Officer is also included among oversight functions, as it is still the officer in charge of the preliminary part of the investigative process: the *prima facie* assessment is carried out by the Ethics Officer, as well as the conclusion of such assessment and the consequent decision about whether an investigation can/must be carried out.

350. In addition to this, the Ethics officer has only the faculty to ask Secretary-General to start an investigation, but the authorization is given by the Secretary-General. We acknowledge that there have never been problems in this sense with the

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[5] "THE IIA'S THREE LINES MODEL – An update of the Three Lines of Defense" – The Institute of Internal Auditors, 2020

current Secretary-General, but, as the External Auditor, we cannot avoid to highlight the risks deriving from such process: in this moment, there could happen facts that deserve to be investigated, but the investigator could even not know that these facts exist, because they could have been judged as not deserving of being investigated by people who are not skilled for this function.

351. Our considerations are confirmed by Recommendation n. 3 of the JIU Report JIU/REP/2020/1, "Review of the state of the investigation function: progress made in the United Nations system organizations in strengthening the investigation function". The Inspectors recommended that "*The legislative bodies of United Nations system organizations that have not yet done so should ensure by the end of 2021 that the heads of internal oversight offices/investigation functions are authorized to open investigations without the approval of the executive heads*".

352. Ethics officer has no oversight functions and competencies, it should not be involved in the investigative process. The same observation was made by the JIU in the mentioned report with Recommendation n. 3: "*The legislative bodies of United Nations system organizations should request that organizations that have not yet done so consolidate by the end of 2022 all investigations and related activities (namely intake, preliminary assessment and the decision to open an investigation), irrespective of the type of misconduct, in the internal oversight office of each organization*". Although an internal oversight office is not formally set up at ITU, the new investigator can be considered as the investigative part of the internal oversight.

Recommendation n. 30

353. With the above Recommendation n. 21, we have recommended reviewing the IAU charter, also because the investigative process is still disciplined there. In line with recommendations 3 and 4 of JIU in its report JIU/REP/2020/1, and considering that, in the current regulatory framework, individuals with no investigative skills are still involved in the investigative process, we recommend that:

i) a new regulatory framework, with regard to the investigative function, be designed and approved by the Council, involving, in the drafting process of the new rules, both the IMAC and the investigator;

ii) Ethics Officer, although a constant coordination with the investigator is needed (for example, being the focal point of whistleblower protection policy), be not involved in investigative functions in the new process,

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iii) the investigator can decide to open an investigation without the authorization of the Secretary-General.

Adequate staffing and resources are needed to make effective the investigation function.

354. A single position of investigator, even in a medium/small organization like the ITU, is not enough to cover all investigative activities, for two different reasons:
   - There could be the need to open a large number of investigations;
   - No investigator is skilled for investigating whatever different kinds of misconducts (for example, sexual harassment and financial fraud or corruption are completely different subject that require different skills and knowledge.

355. We cannot recommend that the staffing of the investigator office is permanently increased hiring more investigator. This is a managerial decision, passing over the mandate of the External Auditor. And we also believe that a reasonable and efficient solution could be to sign an agreement with other investigative bodies of the UN (preferably, the same OIOS), which could provide with the required experts to carry out investigations in the filed in which the Head of Investigation Unit is not sufficiently skilled.

356. However, to do this, the investigator should be allowed to independently manage its budget, and the budget should be adequate to fulfil all tasks. Otherwise, not being able to carry out all the required work, there might be the risk that investigations be carried out in an inefficient and ineffective way, not ensuring the oversight and deterrence function performed by the investigator, and, therefore, not protecting the organisation from misconducts.

357. In the aforementioned report JIU/REP/2020/1, the inspector, with recommendation n. 6, recommended that "*The legislative bodies of the United Nations system organizations that have not yet done so should request that organizations update the terms of reference of their respective audit and oversight committees by the end of 2021 to include, where necessary, appropriate provisions to: (a) review the independence and mandate of the*

internal oversight office/ investigation function; (b) review its budget and staffing requirements (…)".

Recommendation n. 31

358. In order to ensure the efficient and effective performance of the investigative function and to protect the organization from misconduct, <u>we recommend</u> that:

i) the Secretary-General provide the office with adequate resources, both financial and – if deemed appropriate and efficient – also human;

ii) the investigator study and sign an agreement with OIOS or some UN investigative body, to carry out all investigations needed, also in the fields where the investigator is not sufficiently skilled and/or if staff of the office is not enough to perform its work.

<u>Comments by the Secretary-General</u>

ITU takes note of the recommendation and will review it in line with procedures in place by HRMD and FRMD. ITU will liaise with UN Organizations and explore the possibility of drafting MoUs with other investigation services.

IT GENERAL CONTROLS

Introduction

359. We employed a control testing approach with respect to the IT general controls (ITGCs), including gaining an understanding of controls, validating our understanding and testing design effectiveness through the performance of walkthroughs, and testing the operating effectiveness of controls deemed significant for the audit. The scope of the work has been defined in accordance with the audit team based on:
   - Related business and financial statement risks on audit strategy.
   - Overall IT complexity, and specifically how IT affects the ability to pursue an audit strategy to rely on IT controls.

360. Analysing the ITU IT environment, we defined the IT general controls (ITGC) perimeter of analysis. Therefore, we examined: the SAP ERP (Client 010); the Active Directory (AD), which is required to connect with the ERP; the SAP ERP database and the related operation system. The SAP ERP application, database, operation system and AD are managed on premises and none of its operations

are outsourced. In particular, the ERP servers are based on Windows/SQL infrastructure, physically hosted at ITU's headquarter in Montbrillant computing centre called MO7.

Approach

361. Our fieldwork steps to assess the design and operating effectiveness of the organization's controls, as they address the organization's IT and business process risks, included the following:

- Independent walkthrough procedures to assess the design of the organization's IT controls.
- Test performing, to assess the operating effectiveness of the organization's IT controls.

362. The IT audit approach used is composed of those main activities:

- Identification of relevant IT systems by understanding their nature and underlying technology.
- Understanding and documenting the IT processes and risks for the IT relevant application (SAP ERP -010).
- Define IT Risk and execute an IT Risk Assessment.
- Execute IT General Control activities based on a specific Risk Assessment.
- In particular, the tests of ITGCs were designed and performed to address the risks within the IT processes: Manage Change, Manage Access and Manage Operation. Therefore, for each process the following risks were identified and addressed:

Manage Change

- New IT application programs or changes to existing programs, including reports, configurations and interfaces, do not function as described or requested because they are not adequately tested and approved by business or IT management.
- Programs in production are not secured permitting developers to move unauthorized or untested changes to the production environment.
- Configuration changes made by IT personnel are inappropriate or unauthorized.

Manage Access

- Users of the IT environment aren't the intended users, due to inadequate authentication and security settings.
- Users of the IT environment (IT and business) are not appropriate.

- Users of the IT environment (IT and business) are not authorized.
- Accessing IT users to the IT environment creates segregation of duties concerns.
- Privileged IT access within the IT environment is not appropriately restricted and monitored.
- Direct data changes are made without authorization (High risk when direct data changes are frequently performed in the processing of transactions relevant to the financial statements).

Manage Operations

- Physical accesses to data are not properly authorized.
- Hardware or software issues result in loss of data or the ability to accurately process that data.
- Issues with programs that cannot process to completion are not addressed or are addressed inappropriately.
- Automatic job activities are not scheduled according to business requirements with potential data losses or corruption.
- Failure to systems or programs are not identified and resolved in a timely manner.

363. Those risks, about each relevant IT process, have been addressed through the IT controls detailed in the ***Appendix A*** - *Evaluation of controls and recommendations.*

Conclusion

364. Through the combination of walkthroughs, operating effectiveness testing performed by the IT audit team, we were able to assess the design and operating effectiveness of the organization's IT controls, covering the full period from 1st January 2021 through 31st December 2021.

365. However, in the operational effectiveness phase, we have noted a widespread lack of documentation that should have been stored by the Organization in the IT process management. In particular, in the change management and direct data change processes, although the Organization provided the justifications for all the items analysed, in some circumstances they did not provide the necessary evidence to corroborate what they stated. However, the justifications provided are sufficient to express an overall judgment of effectiveness for the 3 IT processes analysed.

366. Below is the evaluation of IT Processes for the application in scope:

	IT Process Design & Operating Evaluation		
IT Application	Manage Change	Manage Access	Manage IT Operations
SAP ERP (Client 010)	Effective	Effective	Effective

367. We have issued, however, 17 recommendations, aimed to improve some procedures and processes currently in place. The details of the controls performed, and the recommendations relating the IT Audit 2021, are shown in the table "*Evaluation of controls and recommendations*".

Evaluation of controls and recommendations

ID	Layer	Process	IT Controls Description	Testing Procedures	Evaluation
1	Application Layer	*Manage Change*	**MC-APP-MC1-S:** Changes to the IT application are tested by business and (or) IT users other than developers.	It has been inspected that the people who develop, test and approve the changes into the production environment are different.	**Deviation Noted:** *We observed, for 16 out of 25 sampled CR, that the documentation provided by ITU was not sufficiently detailed to verify segregation of duties among the people involved in the process.*

Recommendation n. 32
368. <u>We recommend</u> involving different personnel through the main phases of the change management process to respect the principle of segregation of duties and avoid the related risk of releasing changes into production not previously authorized and verified.

Comment by Secretary-General:

Agree. For efficiency reason (to avoid too much of time demands on the business users) we do that for User Acceptance Testing but not for Integration testing. Also, our general policy is not to allow consultants to transport objects to Production. Exceptions are made during large projects where we decide on how to transport objects to Production during cut-over/go-live.

ID	Layer	Process	IT Controls Description	Testing Procedures	Evaluation
2	Application Layer	*Manage Change*	**MC-APP-MC2-S**: Changes to the IT application are correctly documented with User Acceptance Test (UAT) or System Test (for patching on the infrastructures).	It has been inspected that the change is correctly documented through User or System tests prior the moving to production.	**Deviation Noted** *We observed, for 16 out of 25 sampled CR, that the documentation provided by ITU was not sufficiently detailed to verify the testing phase (UAT/System Test) prior the moving to production.*

ID	Layer	Process	IT Controls Description	Testing Procedures	Evaluation

Recommendation n. 33

369. <u>We recommend</u> documenting User Acceptance Test (UAT) or System Test avoiding to releasing changes into production not previously verified.

Comment by Secretary-General:

Agree. For bug fixes, installation of OSS Notes or for small enhancements we often give verbal approval, after testing, to transport objects to Production

| 3 | Application Layer | *Manage Change* | **MC-APP-MC3-S**: Changes are approved by business or IT management prior to the move to production, eventually based on vendor-supplier release notes. | It has been inspected that change's movement to production environment is formally approved by the business or ICT Management, prior the moving to production. | **Deviation Noted**

We observed, for 16 out of 25 sampled CR, that the documentation provided by ITU was not sufficiently detailed to verify the business/owner approval phase prior the moving to production. |

Recommendation n. 34

370. <u>We recommend</u> documenting the approving phase avoiding the related risk of releasing changes into production not previously authorized.

Comment by Secretary-General:

Agree. For bug fixes, installation of OSS Notes or for small enhancements we often give verbal approval, after testing, to transport objects to Production**.**

| 4 | Application Layer | *Manage Change* | **MC-APP-MC4-S**: Users that can move programs into the production environment are limited and authorized. | It has been inspected that the personnel that moved the changes into the production environment are appropriate. | **No Deviation Noted** |

ID	Layer	Process	IT Controls Description	Testing Procedures	Evaluation
5	Application Layer	*Manage Change*	**MC-APP-MC5-S**: The production environment is segregated from development/test environments.	It has been inspected that exist a production environment segregated from development/testing environment.	**No Deviation Noted**
6	ALL Layer	*Manage Change*	**XP1:** Role definition in the Change Management process is set properly.	It has been observed that the Segregation of incompatible duties exist in accordance with the organization's policies, in terms of resources and structures within the organization about the steps of Request/Authorization, Development, Moving into Production Environment.	**Deviation Noted** *We observed that the procedure is not sufficiently detailed, both to understand how the Organization handles the change management process and to identify roles and responsibility of the process.*

Recommendation n. 35

371. <u>We recommend</u> reviewing and updating the change management procedure in order to accurately document the various phases of development, tests and approval for the production release of the application changes. Furthermore, <u>we recommend</u> that roles and responsibilities be accurately defined, to guarantee a segregation of the stakeholders involved in the Change Management process**.**

Comment by Secretary-General:

Agree

ID	Layer	Process	IT Controls Description	Testing Procedures	Evaluation
7	Application Layer	*Manage Change*	**XP2:** Users and Owners of CRs are different.	It has been inspected (STMS Report) for all the change moved into production environment within audit period, that the users (developers) who have developed are different from the owners who have released the changes into production.	**Deviation Noted** *We observed a high number of CR released in production, during the 2021, for which the SOD between User and Owner has not been respected.*

Recommendation n. 36
372. <u>We recommend</u> involving different personnel through the main phases of the change management process, in order to respect the principle of segregation of duties between developers and owners.

Comment by Secretary-General:

Agree. As a general policy, we do not allow consultants (developers) to transport objects to PROD. Transporting objects is always done by ITU staff, hence the difference between user and owner in certain cases. Exceptions are made during large projects where we decide on how to transport objects to Production during cut-over/go-live.

ID	Layer	Process	IT Controls Description	Testing Procedures	Evaluation
8	Operating System Windows	*Manage Change*	**MC-SO-MC1-S:** Changes to the IT application are tested by business and (or) IT users other than developers.	It has been inspected if a regular patching process has been performed. Furthermore, if any, it has been inspected that the people who develop, test and approve the changes into the production environment are different.	**No Deviation Noted**
9	Operating System Windows	*Manage Change*	**MC-SO-MC2-S**: Changes to the IT application are correctly documented with User Acceptance Test (UAT) or System Test (for patching on the infrastructures).	It has been inspected that the change is correctly documented through User or System tests prior the moving to production.	**No Deviation Noted**
10	Operating System Windows	*Manage Change*	**MC-SO-MC3-S**: Changes are approved by business or IT management prior to the move to	It has been inspected that change's movement to production environment is formally approved by the business or ICT Management, prior the moving to production.	**No Deviation Noted**

ID	Layer	Process	IT Controls Description	Testing Procedures	Evaluation
			production, eventually based on vendor-supplier release notes.		
11	Operating System Windows	*Manage Change*	**MC-SO-MC5-S:** The production environment is segregated from development/test environments.	It has been observed the list of different environments for all the applications in scope and inspected that development/test environment is segregated from production.	**No Deviation Noted**
12	Database SQL	*Manage Change*	**MC-DB-MC1-S:** Changes to the IT application are tested by business and (or) IT users other than developers.	It has been inspected if a regular patching process has been performed. Furthermore, if any, it has been inspected that the people who develop, test and approve the changes into the production environment are different.	**Deviation Noted** *We observed that IT unit has not patched the SQL database during FY21.*

Recommendation n. 37

373. <u>We recommend</u> implementing a regular database patching process, in order to install updates released by the vendor.

Comment by Secretary-General:

Agree that improvement of SQL upgrade must be made, specially through WSUS if the risk of SAP service interruption is contained

ID	Layer	Process	IT Controls Description	Testing Procedures	Evaluation
13	Database SQL	*Manage Change*	**MC-DB-MC2-S**: Changes to the IT application are correctly documented with User Acceptance Test (UAT) or System Test (for patching on the infrastructures).	It has been inspected that the change is correctly documented through User or System tests prior the moving to production.	**Not Applicable** (No patch installed in 2021)
14	Database SQL	*Manage Change*	**MC-DB-MC3-S**: Changes are approved by business or IT management prior to the move to production, eventually based on vendor-supplier release notes.	It has been inspected that change's movement to production environment is formally approved by the business or ICT Management, prior the moving to production.	**Not Applicable** (No patch installed in 2021)

ID	Layer	Process	IT Controls Description	Testing Procedures	Evaluation
15	Database SQL	*Manage Change*	**MC-DB-MC5-S:** The production environment is segregated from development/test environments.	It has been observed the list of different environments for the applications in scope and inspected that development/test environment is segregated from production.	**No Deviation Noted**
16	Application Layer	*Manage Access*	**MA-APP-MA1-S:** Password settings are appropriate for managing the authentication to systems and applications.	I It has been Inspected that password settings are appropriately set-up according to the IT best practices.	**No Deviation Noted**
17	Application Layer	*Manage Access*	**MA-APP-MA4-S:** New or additional access rights are approved by an appropriate management person prior that the access is granted.	1. It has been inspected that request for the new/modified user is appropriately documented. 2. It has been inspected that the new/modified user authorization is documented via formal message (mail, ticket etc.), checking the appropriateness of the profiling. 3. It has been inspected that the new/modified user is appropriately documented via formal message (mail, ticket etc) checking the correctness of the profile assigned. 4. It has been observed that different individuals request, authorize and create/modify user (Segregation of incompatible duties exists within the logical access environment)	**Deviation Noted** *We observed for 1 out of 25 sampled modified users, occurred during FY21, that the authorization flow was not documented, and that the user provisioning flow did not follow the procedure steps.*

Recommendation n. 38

374. <u>We recommend</u> that the approval phase in the provisioning users process be always documented, and that the procedure be followed, in order to respect the necessary steps defined.

Comment by Secretary-General:

ID	Layer	Process	IT Controls Description	Testing Procedures	Evaluation

Agree.

ID	Layer	Process	IT Controls Description	Testing Procedures	Evaluation
18	Application Layer	*Manage Access*	**MA-APP-MA5-S:** Access rights are verified periodically by appropriate management personnel (Business or IT).	It has been inspected that the periodic process of users' validation is appropriately performed, and the access is properly assigned.	**Deviation Noted** *We observed that ITU did not perform, for the SAP system, an users access right review during the FY21.*

Recommendation n. 39
375. We recommend executing a documented access right review, at least on annual frequency, for all existing users on the SAP ERP (010).

Comment by Secretary-General:

Agree that a periodic review is necessary. The previous external auditors recommended similar actions. Consequently, we considered implementing GRC software to improve user provisioning processes and to better monitor and mitigate Segregation of Duties (SoD) conflicts as well as enhance the security audit reporting.

However, our research found that procuring GRC software, implementing it and supporting it was too expensive. ITU Council agreed to proceed with a less expensive solution, which we currently have in place and has room for improvement as indicated by this recommendation.

Given that we don't have GRC software and user roles are rather static, it might be worth considering doing such a review every 2 or even 3 years because such reviews require a lot of resources for a relatively lengthy period of time.

ID	Layer	Process	IT Controls Description	Testing Procedures	Evaluation
19	Application Layer	*Manage Access*	**MA-APP-MA6-S:** Users that left the organization are disabled in a timely manner.	It has been inspected that users' that left the organization are timely disabled.	**No Deviation Noted**

ID	Layer	Process	IT Controls Description	Testing Procedures	Evaluation
20	Application Layer	*Manage Access*	**MA-APP-MA7-S:** Actions performed by Super User IDs are monitored and reviewed periodically	It has been inspected that monitoring activities are in place for users profiled with critical business transaction.	**Deviation Noted** *We observed that ITU did not performed a documented review of the activities performed by "super users" during the FY21.*

Recommendation n. 40

376. <u>We recommend</u> executing a documented review of the activities performed by "super users", on periodical based within the FY, through the log monitoring.

Comment by Secretary-General:

Agree.

ID	Layer	Process	IT Controls Description	Testing Procedures	Evaluation
21	Application Layer	*Manage Access*	**MA-APP-MA1-XR:** Super users are limited and in line with the job responsibilities.	It has been inspected the correctness of Super User Ids on the systems, and the access is properly assigned.	**No Deviation Noted**
22	ALL Layer	*Manage Access*	**MA2-XR:** Role definition in the New user access rights process is set properly.	It has been inspected that the Segregation of incompatible duties exist in accordance with the organization's policies, in terms of resources and structures within the organization about the steps of New User Request, Authorization and User Creation.	**No Deviation Noted**

ID	Layer	Process	IT Controls Description	Testing Procedures	Evaluation
23	Application Layer	*Manage Access*	**MA3-XR:** Changes to Role definition are properly approved by IT or business management.	It has been inspected that the changes to the Functional Matrices are approved by business management	**Deviation Noted** *We observed that ITU did not perform the SAP functional matrices review for the 2021*

Recommendation n. 41

377. <u>We recommend</u> that ITU's business owner should execute a documented periodic review, at least annual frequency, of SAP ERP (010) functional matrices.

Comment by Secretary-General:

Agree that a periodic review is necessary. The previous external auditors recommended similar actions. Consequently, we considered implementing GRC software to improve user provisioning processes and to better monitor and mitigate Segregation of Duties (SoD) conflicts as well as enhance the security audit reporting.

However, our research found that procuring GRC software, implementing it and supporting it was too expensive. ITU Council agreed to proceed with a less expensive solution, which we currently have in place and has room for improvement as indicated by this recommendation.

Given that we don't have GRC software and user roles are rather static, it might be worth considering doing such a review every 2 or even 3 years because such reviews require a lot of resources for a relatively lengthy period of time.

ID	Layer	Process	IT Controls Description	Testing Procedures	Evaluation
24	ALL Layer	*Manage Access*	**XP3:** SAP - Client is closed in production and users that have the ability to change the system settings in production are appropriately restricted based on assigned job responsibilities.	1. It has been inspected the adequate configuration of the SAP client, ensuring the correctness of the users that can modify the table's parameters. 2. It has been inspected that every change and action made to T000 table are properly logged and monitored, checking if any open client period are occurred.	**Deviation Noted** *We observed for 19 out of 25 client opening events, occurred during the FY21, that ITU was not able to provide a documented (es. ticket or mail) authorization flow. Moreover, we observed that the SAP parameter "CCCORACTIV", that rules the modification log, in E070 table, has not been properly set during the client opening.*

Recommendation n. 42

378. <u>We recommend</u> that ITU should define a procedure to rule the SAP ERP (010) client opening events, in order to identify a correct authorization flow and to handle the related documentation storage. Furthermore, <u>we recommend</u>, **during a client opening event**, that the parameter "*CCCORACTIV*" be set to the value "1", in order to track the modification in E070 table.

Comment by Secretary-General:

Agree.

ID	Layer	Process	IT Controls Description	Testing Procedures	Evaluation
25	Operating System Windows	*Manage Access*	**MA-SO-MA1-S:** Password settings are appropriate for managing the authentication to systems and applications.	It has been inspected that password settings are appropriately set-up according to the IT best practices.	**Deviation Noted** *We have observed that some parameters are not set up in accordance with the IT best practices:* 1. *Max password age.* 2. *Min password age* 3. *Account lockout threshold* 4. *Account lockout observation* 5. *Idle Session time out*

Recommendation n. 43

379. <u>We recommend</u> that ITU should strengthen the security of the SAP ERP (010) operating system, setting up the following parameters in accordance with the IT best practices:
  1. Max password age (*BP: 90 or less*, to set-up for the user category "all user").
  2. Minimum password age (*BP: 1 or higher,* to set-up for the user category "all user").
  3. Account lockout threshold (*BP: 3 - 5 login attempts;* to set-up both for the user category "admin" and "all user").
  4. Account lockout observation (BP: 0 zero; to set-up both for the user category "admin" and "all user").
  5. Idle Session Time Out (*BP: 15 min;* to set-up both for the user category "admin" and "all user").

Comment by Secretary-General:

Agree to strengthen the parameters where possible. It should be noted that all these recommendations are already enforced for <u>domain accounts</u>, except the 1st one (90 days), with MFA enabled. It's worth noting that the current trend is to extend or even remove the password expiration as recommended by information security vendors (Microsoft). For other accounts (local and service), an assessment will be made to evaluate the implementation of these recommendations without disrupting service operation. We are also evaluating setting up LAPS to manage the Windows local administrator account.

ID	Layer	Process	IT Controls Description	Testing Procedures	Evaluation
26	Operating System Windows	*Manage Access*	**MA-SO-MA2-S:** Key security settings other than passwords are appropriate for the environment and the related level of risk.	It has been inspected that general systems security settings are appropriately configured according to the IT best practices for the related technology.	**Deviation Noted** *We have observed that some parameters are not set up in accordance with the IT best practices:* *1. Audit account logon events* *2. Audit directory service access* *3. Audit object access* *4. Audit privilege use* *5. Audit system events*

Recommendation n. 44

380. <u>We recommend</u> that ITU should strengthen the security of the hardening settings for the SAP ERP (010) operating system, setting up the following parameters in accordance with the IT best practices:
1. Audit account logon events (*BP: Success and Failure*)
2. Audit directory service access (*BP: Failure*)
3. Audit object access (*BP: Failure*)
4. Audit privilege use (*BP: Failure*)
5. Audit system events (*BP: Failure*)

Comment by Secretary-General:

A set of use cases have been implemented in our SOC (security operation center) with audit log policy as per the SOC recommendation. This policy is more granular than what it is suggested.

ID	Layer	Process	IT Controls Description	Testing Procedures	Evaluation
27	Operating System Windows	*Manage Access*	**MA-SO-MA3-S:** Default passwords for system IDs that affect key security settings have been changed or the related accounts have been disabled.	It has been inspected that general systems security settings, related to default passwords, are appropriately configured according to the IT best practices for the related technology	**No Deviation Noted**
28	Operating System Windows	*Manage Access*	**MA-SO-MA4-S:** New or additional access rights are approved by an appropriate management person prior that the access is granted.	1. It has been inspected the users list to identify new accounts. 2. It has been inspected that request for the new user is appropriately documented.	**Not Applicable** (No user created in 2021)

ID	Layer	Process	IT Controls Description	Testing Procedures	Evaluation
				3. It has been inspected that the new user's authorization is documented via formal message (mail, ticket etc), checking the appropriateness of the profiling. 4. It has been inspected that the new user is appropriately documented via formal message (mail, ticket etc) checking the correctness of the profile assigned. 5. It has been observed that different individuals request, authorize and create user (Segregation of incompatible duties exists within the logical access environment)	
29	Operating System Windows	*Manage Access*	**MA-SO-MA5-S:** Access rights are verified periodically by appropriate management personnel (Business or IT).	It has been inspected that the periodic process of users' validation is appropriately performed, and the access is properly assigned.	**Deviation Noted** *We observed that ITU did not perform an user access right review during the FY21.*
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Recommendation n. 45
381. <u>We recommend</u> executing a documented access right review, at least on annual frequency, for all existing users on the SAP ERP (010) operational system.

Comment by Secretary-General:

Agree for annual review

ID	Layer	Process	IT Controls Description	Testing Procedures	Evaluation
30	Operating System Windows	*Manage Access*	**MA-SO-MA6-S:** Users that left the organization are disabled in a timely manner.	It has been inspected that monitoring activities are in place for users profiled with critical business transaction.	**No Deviation Noted**
31	Operating System Windows	*Manage Access*	**MA-SO-MA1-XR:** Super users are limited and in line with the job responsibilities.	It has been inspected the correctness of Super User Ids on the systems, and the access is properly assigned.	**No Deviation Noted**

ID	Layer	Process	IT Controls Description	Testing Procedures	Evaluation
32	Database SQL	*Manage Access*	**MA-DB-MA1-S:** Password settings are appropriate for managing the authentication to systems and applications.	It has been inspected that password settings are appropriately set-up according to the IT best practices.	**Deviation Noted** *We have observed that some parameters are not set up in accordance with the IT best practices:* 1. *Minimum password length* 2. *Account lockout threshold* 3. *Password must meet complexity requirements*

Recommendation n. 46

382. <u>We recommend</u> that ITU strengthen the security of the SAP ERP (010) database, setting up the following parameters in accordance with the best practices:
1. Minimum password length (*BP: 8*).
2. Account lockout threshold (*BP: 3 - 5 login attempts*).
3. Password must meet complexity requirements (*BP: Enable*).

Comment by Secretary-General:

Agree

ID	Layer	Process	IT Controls Description	Testing Procedures	Evaluation
33	Database SQL	*Manage Access*	**MA-DB-MA2-S:** Key security settings other than passwords are appropriate for the environment and the related level of risk.	It has been inspected that general systems security settings are appropriately configured according to the IT best practices for the related technology.	**No Deviations Noted**
34	Database SQL	*Manage Access*	**MA-DB-MA3-S:** Default passwords for system IDs that affect key security settings have been changed or the related accounts have been disabled.	It has been inspected that general systems security settings, related to default passwords, are appropriately configured according to the IT best practices for the related technology	**No Deviation Noted**
35	Database SQL	*Manage Access*	**MA-DB-MA4-S:** New or additional access rights are approved by an	1. It has been inspected the users list to identify new accounts.	**Not Applicable** (No user created in 2021)

ID	Layer	Process	IT Controls Description	Testing Procedures	Evaluation
			appropriate management person prior that the access is granted.	2. It has been inspected that request for the new user is appropriately documented. 3. It has been inspected that the new user user's authorization is documented via formal message (mail, ticket etc), checking the appropriateness of the profiling. 4. It has been inspected that the new user is appropriately documented via formal message (mail, ticket etc) checking the correctness of the profile assigned. 5. It has been observed that different individuals request, authorize and create user (Segregation of incompatible duties exists within the logical access environment)	
36	Database SQL	*Manage Access*	**MA-DB-MA5-S:** Access rights are verified periodically by appropriate management personnel (Business or IT).	It has been inspected that the periodic process of users' validation is appropriately performed, and the access is properly assigned.	**Deviation Noted** *We observed that ITU did not perform an user access right review during the FY21.*
Recommendation n. 47					

Recommendation n. 47
383. <u>We recommend</u> executing a documented access right review, at least annually, for all existing users on the SAP ERP (010) database.

Comment by Secretary-General:

Agree for annual review

ID	Layer	Process	IT Controls Description	Testing Procedures	Evaluation
37	Database SQL	*Manage Access*	**MA-DB-MA6-S:** Users that left the organization are disabled in a timely manner.	It has been inspected that users that left the organization are timely disabled.	**No Deviation Noted**
38	Database SQL	*Manage Access*	**MA-DB-MA1-XR:** Super users are limited and in line with the job responsibilities.	It has been inspected the correctness of Super User Ids on the systems, and the access is properly assigned.	**No Deviation Noted**

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ID	Layer	Process	IT Controls Description	Testing Procedures	Evaluation
39	Network Layer	*Manage Access*	**MA-LAN-MA1-S:** Password settings are appropriate for managing the authentication to systems and applications.	It has been inspected that password settings are appropriately set-up according to the IT best practices.	**Deviation Noted** *Please refer to MA-SO1-S control and relative recommendations.*
40	Network Layer	*Manage Access*	**MA-LAN-MA2-S:** Key security settings other than passwords are appropriate for the environment and the related level of risk.	It has been inspected that general systems security settings are appropriately configured according to the IT best practices for the related technology.	**Deviation Noted** *Please refer to MA-SO1-S control and relative recommendations.*
41	Network Layer	*Manage Access*	**MA- LAN -MA3-S:** Default passwords for system IDs that affect key security settings have been changed or the related accounts have been disabled.	Inspected that general systems security settings, related to default passwords, are appropriately configured according to the IT best practices for the related technology	**No Deviation Noted**
42	Network Layer	*Manage Access*	**MA- LAN-MA4-S:** New or additional access rights are approved by an appropriate management person prior that the access is granted.	1. It has been inspected the users list to identify new accounts. 2. It has been inspected that request for the new user is appropriately documented. 3. It has been inspected that the new user authorization is documented via formal message (mail, ticket etc), checking the appropriateness of the profiling. 4. It has been inspected that the new user is appropriately documented via formal message (mail, ticket etc) checking the correctness of the profile assigned. 5. It has been observed that different individuals request, authorize and create/modify user (Segregation of incompatible duties exists within the logical access environment)	**No Deviation Noted**
43	Network Layer	*Manage Access*	**MA-LAN-MA6-S:** Users that left the organization are disabled in a timely manner.	It has been inspected that users' that left the Company are timely disabled.	**No Deviation Noted**

ID	Layer	Process	IT Controls Description	Testing Procedures	Evaluation
44	Network Layer	*Manage Access*	**MA-LAN-MA1-XR:** Super users are limited and in line with the job responsibilities.	It has been inspected the correctness of Super User Ids on the systems, and the access is properly assigned.	**No Deviation Noted**
45	ALL Layer	*Manage IT Operation*	**MITO1-S:** Tools and utilities guarantee that all the access to sensible area (i.e., Data Centre) are logged.	It has been inspected that the physical access in the data centre is pre-authorized, comparing the resource's name with the authorized users list.	**No Deviation Noted**
46	AL Layer	*Manage IT Operation*	**MITO2-S:** Only authorized personnel can access to sensible areas.	It has been inspected that the physical access in the data centre is pre-authorized, comparing the resource's name with the authorized users list.	**Deviation Noted:** *We observed, for 9 out of 10 sampled physical access to the data centre (MO7), that the documentation provided by ITU was not sufficiently detailed to verify the authorization flow.*

Recommendation n. 48
384. <u>We recommend</u> properly storing all the documentation related to the authorization flow to the data centre accesses *(MO7)*.

Comment by Secretary-General:

Agree, the authorization flow for ITU's physical security zoning strategy in our HQ premises (e.g. Datacentre) in terms of rights for staff, consultants (both external-outsourced and internal), needs to be clearly presented in a standard operating procedure (SOP).

ID	Layer	Process	IT Controls Description	Testing Procedures	Evaluation
47	AL Layer	*Manage IT Operation*	**MITO4-S:** The execution of jobs scheduling is monitored, and personnel take appropriate actions for the issues that arise.	It has been inspected that the execution of jobs scheduling is monitored, and personnel take appropriate actions for the issues that arise.	**No Deviation Noted**
48	AL Layer	*Manage IT Operation*	**MITO5-S:** Changes to automatic job schedule are performed only by authorized users.	It has been inspected that the changes to automatic job schedule are performed only by authorized users.	**No Deviation Noted**
49	AL Layer	*Manage IT Operation*	**MITO6-S:** Incident are logged, monitored and resolved in a timely manner.	It has been inspected that the IT operations problems or incidents are identified, resolved, reviewed, and	**No Deviation Noted**

ID	Layer	Process	IT Controls Description	Testing Procedures	Evaluation
				analysed through the analysis of the documentation provided (mail, ticket etc)	
50	Database SQL	*Manage IT Operation*	**MO-DB-MITO3-S**: Backups are performed periodically via backup software and monitored by the IT personnel to verify completion and successful resolution of any backup failures.	It has been observed that deviations from scheduled processing are identified and resolved in a timely manner though the analysis of the corrective actions performed (mail, ticket, etc.)	**No Deviation Noted**

FOLLOW-UP TO PREVIOUS RECOMMENDATIONS AND SUGGESTIONS

385. Annex 1 collect all our previous recommendations and the comments received from ITU Management at the time of the delivery of the Report. Annex 2 shows the follow-up given to all our suggestions.

386. Annex 3 contains the table of follow-up to the recommendations issued in our special report on Regional Offices, Annex 4 to the suggestions issued in the same report.

387. Finally, Annex 5 shows the follow-up to our recommendations issued in the special report: Addressing fraud at ITU: what action for more effective management?

388. The recommendations that are evaluated as "closed" will not be included in next year's Audit Report, unless they need an annual follow-up.

ANNEX 1 – Follow-up to recommendations in our previous reports

N.	Recommendation made by the Italian Corte dei conti	Comments received from Secretary-General at the date of the audit report	Status as reported by ITU Management	Status as assessed by the Italian Corte dei conti
Rec. 1/2020	In order to minimize the risk that procurement Manual rules related to article 6.7.1 could be easily bypassed, having considered that there is a need for enhancing internal controls and also considering the several fraudulent activities detected in Regional Offices, <u>we recommend</u> that PROC should carefully monitor the low-value procurement, to avoid that it is used to elude the competitive procedures. In case the result of this monitoring will ascertain such abuse, <u>we recommend</u> that Management consider even to avoid the "Low Value Procurement", also through the implementation of new guidelines in the procurement Manual or to reduce the thresholds (5k and 20k) admitted by the Procurement Manual for having procurement awarded only to one single supplier without any competition.	The recommendation is accepted. In order to avoid any risk of contract splitting, ITU will decide to cancel the current threshold of CHF 20.000. The total aggregated awards to a single vendor in a calendar year for the whole ITU, where bidding is not required, shall not exceed CHF 5,000, above which all purchase requests, regardless of value, shall be forwarded to the PROC for sourcing and selection. This decision will be incorporated in the revision of the Procurement Manual scheduled for this year 2022.	**Update as of June 2022:** The recommendation was implemented on 4 February 2022 in the ERP system and incorporated in the 2022 revision of the Procurement Manual.	Ongoing
Rec. 2/2020	We acknowledge that a Value Procurement Workflow in SRM was introduced at the beginning of 2020, and that, as of 1st of January 2021, the Contract Management Module was introduced; however, considering that, also in the financial year 2020, the threshold of CHF/USD 20,000 per vendor per calendar year was not respected, <u>we renew</u> our past recommendations **n. 3/2018** and **n. 4/2018** and <u>we recommend</u> that an effective and automatic monitoring of all Purchase Orders or contracts awarded to the same supplier in a calendar year is established, in order to assure that the threshold above is fully respected and contracts exceeding this threshold are not automatically allowed.	The recommendation is accepted. As correctly mentioned in this Recommendation, the Low Value Procurement was introduced beginning 2020. It should be noted that, during the year 2021 (January-November), there are two suppliers who exceeded the yearly threshold of CHF 20K due to exceptional and emergent requirements; requirements needed during virtual conferences and events. To avoid the requesting units with multiple low value requirements, a Long-Term Agreement (LTA) with two vendors for IT supplies was established end of 2021.	**Update as of June 2022:** ITU will continue to analyse where it is necessary and possible to implement an LTA. Other LTAs, such as for office furniture, medical supplies, small works, or translations, have already been implemented.	Closed

N.	Recommendation made by the Italian Corte dei conti	Comments received from Secretary-General at the date of the audit report	Status as reported by ITU Management	Status as assessed by the Italian Corte dei conti
Rec. 3/2020	Therefore, we recommend that PROC draw up the foreseen procedures (or other special procedures) for low value (Articles 6.7.1.) and very low value procurement (6.7.5.), or, otherwise, that the Procurement Manual be amended, in case such procedures are not needed or potentially superseded by the implementation of new guidelines aimed in avoiding the "direct award" (see above Recommendation n, 2).	The recommendation is accepted. ITU acknowledges that the Procurement Manual will be amended during the coming year 2022.	**Update as of June 2022:** The revision of the Procurement Manual was drafted, reviewed by the Contracts Committee and forwarded to the Legal Affairs Unit for review. The final version will be sent back to Contracts Committee for final review.	Ongoing
Rec. 4/2020	We acknowledge that PROC is currently working on a tender for the provision of a new contract, to terminate the contract in force since 2012; however, we recommend performing a recognition of all Purchase Orders/contracts currently in force, to check and to terminate as soon as possible the ones that are tacitly renewed.	The recommendation is accepted. PROC and Requesting units, in their regular reviews of current contracts in force, will further analyse the tacit renewal clause in the concerned contracts.	**Update as of June 2022:** PROC will continue analysing and terminating all contracts that are tacitly renewed.	Closed
Rec. 5/2020	Although we acknowledge that this is not a current practice in the UN Systems, considering the risks highlighted in the Procurement framework through our past and current recommendations ,in order to enhance the internal controls in place, we recommend implementing a two-envelope system in all procurement procedures, to avoid any kind of influences by the price during the evaluation of the bids received, except in case of very simple procedures (pass/fail criteria) and/or low value procurement.	The method used by UN organizations to communicate a procurement requirement and request bids, quotations or proposals from potential suppliers are referred to as the solicitation process. In ITU procurement, as well as in UN, UNOPS and other organizations, solicitations take the form of a Request for Quotation (RFQ), Invitation to Bid (ITB), or Request for Proposal (RFP). In the UN setting, the two-envelope system is only used for RFP not for the other methods of solicitation (RFQ or ITB). The ITU has a concern regarding this recommendation as it deviates from the Procurement Manual and could create a precedent and seriously jeopardize the entire harmonization effort engaged by the High-Level Committee on Management of the United Nations (HLCM). This recommendation will be brought to the attention of Procurement Network	**Update as of June 2022:** ITU comments remain the same. The solicitation methods (RFQ, ITB, and RFP) are widely and commonly implemented and used by UN Organizations. Implementing a two-envelope system in all procurement procedures will deviate from ITU Procurement Manual and UN procurement procedures.	Ongoing

N.	Recommendation made by the Italian Corte dei conti	Comments received from Secretary-General at the date of the audit report	Status as reported by ITU Management	Status as assessed by the Italian Corte dei conti
		within the UN system.		
Rec. 6/2020	We recommend improving the framework of eligibility conditions of staff to obtain the separation benefit, to ensure an efficient and effective control system on requirements and conditions needed to be eligible for early retirement or voluntary separation benefits, or in the case of individual separation agreements.	The recommendation is accepted. For cases of Voluntary Separation (in case such modality is implemented in the future) or in the case of individual separation agreements, including early retirement, the organization will establish conditions and requirements for granting departure benefits which may be provided over and above the statutory requirements.	**Update as of June 2022:** ITU has established a new control checklist for all staff leaving the organization where, before any benefits are considered and payments made, the Ethics Office is asked for clearance to proceed.	Closed
Rec. 7/2020	In order to mitigate the risks of loss of relevant information and of wrong validation of entitlements, according to the current HR framework, and to improve the efficiency and effectiveness of monitoring personnel documentation, while increasing the accuracy of internal financial controls on correct benefits' entitlements, we recommend to strengthen the process of digitalization of personnel files, through a comprehensive and effective personnel e-filing system, supported by robust backup and disaster recovery systems, combined with an efficient and effective classification and archiving of the original paper documentation.	The recommendation is accepted. The organization will invest in the development and implementation of a comprehensive personnel e-filing system as described in the recommendation. Implementation of this system will require additional resources which need to be assessed.	**Update as of June 2022:** ITU has established an e-filing system on the ITU intranet using SharePoint technology. At this point, all information being scattered in different drives and owned by different HR teams is being identified for migration into this common filing system. The system is already connected with SAP and receives a copy of all personnel actions in an automated manner.	Ongoing
Rec. 8/2020	We recommend enhancing the efficiency and effectiveness of the disciplinary process, establishing sanctions that are able to protect the ITU from risks deriving from staff fraudulent behaviours, in particular when there is a financial loss. We also recommend strengthening the Union's capacity to react to fraudulent staff behaviour, in particular exploring the possibility to prosecute staff found guilty after their departure, not only for recovery purposes, but also for insertion in any existing shared UN databases related to people directly or indirectly involved in financial losses.	The recommendation is accepted. The organization will review the disciplinary process and related mechanisms as stated in the recommendation. The organization will also explore the feasibility of taking measures with respect to staff who have committed fraud and who have left the organization before a disciplinary sanction has been applied, including for inclusion in any UN databases where feasible and available.	**Update as of June 2022:** ITU is proposing a full review of the disciplinary process which includes all the recommendations made by the External Auditors. ITU has become a member of the ClearCheck system of the United Nations and has included one case in the database.	Ongoing

N.	Recommendation made by the Italian Corte dei conti	Comments received from Secretary-General at the date of the audit report	Status as reported by ITU Management	Status as assessed by the Italian Corte dei conti
Rec. 9/2020	In order to mitigate financial, reputational and fraud risks, which might affect the available funds of the Union, <u>we recommend</u> enhancing the framework for hiring consultants, especially for the determination of the amount due and daily salary that should be paid to consultants, in a way that make possible to perform an accurate recalculation of the amount due, also by different staff involved in the supervision of the internal control process. In particular, <u>we</u> also <u>recommend</u> that: i) the assessment of the consultants' performance should be enhanced by controls that include hierarchical statements of accountability over the quality of the work performed, guided by specific, realistic and measurable objectives, and accurate key performance indicators duly agreed between parties, and which should be included in the SSA contract; ii) HRMD should increase its monitoring capacity of SSAs, especially before any renewal, through the access to internal and UN databases that could highlight potential risks related to a specific consultant; iii) the contractual conditions for SSAs should include clear references, through specific clauses, that guide the consultants to adhere to the ethics framework of the Union, including a direct reference that the remuneration is subject to performance appraisal; iv) once realised the strengthened common framework, in case any local regulation require a different set of rule for contracts, ITU should be ready to adapt this, even envisaging customised tools to assess the correspondence and adherence of the work performed to objectives as stated in the	The recommendation is accepted. The organization will review it's internal framework of policies and procedures to ensure that (i) there is a framework for the determination of consultants' rates, (ii) the performance of consultant's is reviewed, including hierarchical statements of accountability over the quality of the work performed, (iii) specific, realistic and measurable objectives, and accurate key performance indicators are included in the SSA contract, (iv) internal and UN misconduct databases (where available) are reviewed before providing a contract to a consultant (first or renewal), (v) the contractual conditions for SSAs include the obligation to adhere to the ethics framework of ITU, including a direct reference that the remuneration is subject to performance appraisal, and (vi) adapt the rules if and when local regulations require it. ITU does not exclude the use of a third independent entity to evaluate the work of the Consultants.	**Update as of June 2022:** The contractual conditions for SSAs have been modified and now include references and guidance through specific clauses for them to adhere to the ethics framework of the Union, in particular: • ITU Service Order No.22/03 "ITU Policy Addressing Harassment, including sexual harassment, Abuse of Authority, and Discrimination" • ITU Service Order No.20/06, "Policy and Protection for Reporting Misconduct (Whistleblowing)", • ITU Service Order No.19/09, "Policy against Fraud, Corruption, and Other Proscribed Practices", • ITU Service Order No.19/10, "ITU Investigation Guidelines", • ITU Service Order No.11/02, "Code of Ethics for ITU Personnel", • ITU Service Order No. 22/02, "ITU Policy on Declaration of Interests" The conditions of contract also specify a direct reference that the remuneration is subject to performance appraisal. Other elements of this recommendation are in progress.	Ongoing

N.	Recommendation made by the Italian Corte dei conti	Comments received from Secretary-General at the date of the audit report	Status as reported by ITU Management	Status as assessed by the Italian Corte dei conti
	SSA contract and/or additional contractual clauses to protect the Union in that specific legal context.			
Rec. 10/2020	In line with our recommendation 10/SR2019, where we had recommended "that Management further investigate, without delay, the reasons why hierarchical controls have been so ineffective in detecting a fraud that was perpetrated along several years. In particular, Management should assess to what extent the official's superiors' behaviour was appropriate in terms of the standards of diligence and managerial skills that can be expected from officials in their position and investigate if other people are involved in fraudulent practices"; considering our above Recommendation n. 6, related to the package for the voluntary separation; considering also that there is the risk that responsibilities of all people directly or indirectly involved in the fraud, including ITU Staff in the "first, second and third line" with supervisory duties, have not yet been ascertained, we therefore recommend (1) keeping on investigating all the staff having had "managerial responsibilities" (any dereliction of management responsibilities in the oversight and supervision) in the fraud, finalizing the investigation also towards Managers that had an early retirement or a voluntary separation; (2) exploring any legal possibility in the UN system or through the help of National judicial Authorities to launch effective actions able to recovery any unduly amount paid, in particular, if considered responsible, also towards staff	The recommendation is accepted. However, it should be noted that the ITU management has repeatedly requested assistance from UN-OIOS without success. In the light of the arrival of the Head of the Investigation Unit and based on her experience and annual programme, ITU will not exclude the possibility of establishing a framework agreement with UN-OIOS in the future. ITU will continue to review the whole system concerned.	**Update as of June 2022:** 1. The Investigation Unit is in the process of finalizing all PWC related investigations and as well as reviewing the recommendations from the Haynes report. Individual responsibilities, if any, will be examined and handled according to ITU Regulations and Rules. 2. Similarly, the individual responsibilities and any potential lost funds are in the process of being reviewed and should be completed before end 2022. 3. In light of the several refusals from OIOS and the fact that OIOS only have offices in NY, Vienna and Nairobi (plus peacekeeping operations), it was considered more cost efficient to develop, when needed, a MoU with Geneva-based UN agencies investigation services.	Ongoing

N.	Recommendation made by the Italian Corte dei conti	Comments received from Secretary-General at the date of the audit report	Status as reported by ITU Management	Status as assessed by the Italian Corte dei conti
	with Managerial responsibility who left the organization with an early retirement or a voluntary separation; (3) acknowledging that Service Order 19/10 "ITU Investigation Guidelines" currently provides for the assignment of investigation cases to external investigative bodies in such circumstances when the investigation cannot be assigned internally; in case the new investigative function at ITU has not sufficient expertise and/or staffing capacity to conduct the above mentioned actions, exploring urgently the possibility of having a MoU with OIOS in order to conduct _timely_ such investigations and definition of any amount unduly paid.			
Rec. 11/2020	According to our previous considerations and recommendations, we recommend starting as soon as possible a specific assessment on the reason why the IAU, that was also tasked of investigative Authority, was not able to capture timely these major risks in the organization (namely the financial, fraud and reputational risks), not effectively protecting SG in his duties. This exercise is also particularly important in consideration that, in line with our recommendations still open and ongoing, several new procedures are currently established for instance, just an example in BDT, PROC, HRMD etc., and there is an urgent need that Union might be supported by effective assurance services.	The recommendation is accepted and ITU will seek options for an independent entity to carry out this assessment work of the Internal Audit Unit.	**Update as of June 2022:** An external consultant was engaged in June 2022 to undertake the assessment. The assessment is anticipated to be completed by August 2022.	Closed
Rec. 1/2019	A) We recommend that Management should collect information on the location of the IT equipment, making the individual staff responsible for updating their inventory records with this information. B) In this connection, we recommend	The yearly "physical inventory" will be scheduled for late 2020, early 2021. This should allow ITU to recollect information about equipment. SO 17/10 stipulates the responsibility of the individual ITU staff in validating and updating their inventory records, which can be done electronically from the Intranet Portal.	**Update as of March 2021:** Physical inventory for 2020 was revoked upon decision by Secretary General, due to the Covid-19 situation. The ITU will review ways of reminding staff of outstanding inventory confirmation requests. And we continue to look into how we can better enforce SO	Ongoing

N.	Recommendation made by the Italian Corte dei conti	Comments received from Secretary-General at the date of the audit report	Status as reported by ITU Management	Status as assessed by the Italian Corte dei conti
	enhancing this responsibility with stricter rules.	The ITU is in search of an improved way of reminding staff of outstanding inventory confirmation requests. And we are looking into how we can better enforce SO 17/10.	17/10. **Update as of October 2021:** The physical inventory will be conducted in November & December 2021. **Update as of June 2022:** The physical inventory has been successfully conducted November & December 2021.	
Rec. 4/2019	It is noted that the previous backlog has been completely cleared. However, a targeted effort is now required to systematically update administrative data without creating a new backlog. Therefore we recommend that the processing of documents supporting staff entitlements be ensured in a timely manner, and that automated alert procedures be introduced to drive compliance. To this end, if not already covered by current duties, it might be appropriate to entrust a manager with specific responsibilities in this field. We also reiterate our recommendation to urgently streamline in an action plan the steps necessary to satisfactorily solve the issues related to the integration of new functionalities into the ERP system. This should include the support of additional external resources, where needed to develop the required enhancements. In the meantime, we recommend quantifying and properly disclosing the potential impact of retroactive recoveries on ITU accounts.	ITU supports the recommendations on the reinforcement of the integration of the existing business processes into the ERP system for reducing manual processing and introducing more automation, with an objective of simplification, reduction of time processing, and reduction of risks. HRMD has been working with the IS Department on an SAP HR Enhancement project prioritizing a list of 73 items to be addressed, from bugs resolving to development of new functionalities.	**Update as of March 2021:** There are continuous efforts to include all the functionalities in the corporate ERP (e.g., the migration of BDT Experts recruitment management to SAP is in progress) in order to take advantage of an integrated ERP; more process automation, more business rules validation together with having more modern user interfaces improving users' experience. The last bug fixes will be deployed in April 2021. The Enhancements list of 73 items has since the last reporting in 2020 grown to 101 of which close to 70 have been completed/implemented. **Update as of October 2021:** HRMD in collaboration with ISD, and other Departments where necessary, will maintain, troubleshoot and upgrade the SAP HR system based on pre-agreed scopes of work, which is a continuous work. **Update as of June 2022:** This work is ongoing. The new Education Grants module has been launched successfully in July 2022.	Ongoing
Rec. 5/2019	We also recommend considering the enhancement of the e-filing project and the development and implementation of a real information management system, including through investment in external services.	ITU supports that recommendation, in general, but also more particularly in the context of the working environment that has been developed in the COVID-19 situation, with a multiplication of documents being produced and processed in an	**Update as of March 2021:** The Human Resources Management Department is reviewing technologies and external services (including with other UN agencies) that could be used to ensure that all human resources documentation is properly and	Ongoing

N.	Recommendation made by the Italian Corte dei conti	Comments received from Secretary-General at the date of the audit report	Status as reported by ITU Management	Status as assessed by the Italian Corte dei conti
		electronic format, but not being managed within a system, including the ERP HR system.	securely filed. This includes all personnel files and actions. **Update as of October 2021:** Together with the Information Management Service at ISD, HRMD is working on cleaning the paper files and determine what to keep and to be stored and for how long in the ITU archives, and what needs to stay with HRMD, specifically in view of the move in 2027 to the new HQs. There is also an additional ITU wide process of information governance which HRMD is involved in, this process will provide an opportunity for e-filing with an information management system. **Update as of June 2022:** ITU has established an e-filing system on the ITU intranet using SharePoint technology. At this point, all information being scattered in different drives and owned by different HR teams is being identified for migration into this common filing system. The system is already connected with SAP and receives a copy of all personnel actions in an automated manner.	
Rec. 6/2019	We recommend giving impetus to the enforcement of the new Strategic framework, through operational plans and a timeframe to implement them.	The implementation of the HR Strategic plan has been reported in document C20/54 "Progress report on the implementation the HR Strategic Plan and of Resolution 48 (rev. Dubai, 2018). A number of process improvements have been achieved; and new and updated polices have been put in place. Within the HR goals and the objectives of improving the delivery capacity of ITU, concluded initiatives through the four pillars: (1) Fit-for-purpose workforce integrating diversity and agility (aligning ITU workforce to the ITU goals), (2) Engaged employees, (3) Excellence-driven HR services, (4) Enabling work environment; the activities were implemented, producing the outputs described in column F of the table attached to the document.	**Update as of March 2021:** The Human Resources Strategic Plan (HRSP) the key planning document which intends to operationalize the human resources strategy and includes **clear deliverables and timelines**. Progress on the HRSP has been reported in document C21/54 "Progress report on the implementation the HR Strategic Plan and of Resolution 48 (rev. Dubai, 2018)" to be presented to Council 2021 in June 2021. It includes, among others, information on process improvements achieved; and new and updated polices put in place. It highlights the need for modernizing ITU's human capacity, processes, procedures and tools, as well as integration and harmonization with the United Nations Common System and the values of the international civil service. The ITU Human Resources Strategic Plan is a rolling strategy, which may be adapted as required, should new challenges or opportunities arise**. Worth mentioning, in	Ongoing

N.	Recommendation made by the Italian Corte dei conti	Comments received from Secretary-General at the date of the audit report	Status as reported by ITU Management	Status as assessed by the Italian Corte dei conti
		The BDT has undergone the leadership culture assessment and is currently advancing an action plan to address areas that require further strengthening. The staff mobility policy is also taken up in the PwC review.	February 2021, the HRMD heads of service prepared a comprehensive briefing for the new Chief HRMD, prioritizing areas for business process reengineering. **Update as of October 2021:** See updates from March 2021, and in addition, the progress on the HRSP was successfully reported in document C21/54 "Progress report on the implementation the HR Strategic Plan and of Resolution 48 (rev. Dubai, 2018)" to Council 2021 in June 2021. **Update as of June 2022:** Progress on the HR strategic plan has been reported to the Council held in March 2022.	
Rec. 7/2019	We renew our recommendation 21/2018 "that the Ethics Officer ensure an adequate degree of confidentiality through a better protection of the identity of the whistleblower", adding that ITU should also provide assurance of protection in respect of national judicial authorities. We also recommend establishing an internal path to ensure prompt and confidential assessment of allegations by independent investigators (further to a prima facie assessment by the Ethics Officer). Within ITU, it is essential that the investigative function be entrusted to a special entity, independent of any other office within the organization and with a clear reporting line. Allegations that cannot be dealt with internally, for example because they are directed against top management or because they require special skills (IT, forensic, etc.) not possessed within the ITU, should be managed by external specialized investigators (such as OIOS).	The new Service Order 20/06, Policy and Protection for Reporting Misconduct (Whistleblowing) was promulgated in September 2020. Service Order 20/06 contains strengthened provisions that describe the confidentiality provided to whistleblowers in order to ensure an adequate degree of confidentiality to better protect of the identity of whistleblowers and to ensure an adequate degree of confidentiality when there may be requests from judicial authorities. The Service Order 19/10, ITU Investigation Guidelines, currently provides for the assignment of investigation cases to external investigative bodies in such circumstances when the investigation cannot be assigned internally.	**Update as of March 2021:** A P5 Head, Investigations Unit post has been created and the vacancy announcement was published on 26 February 2021. The Head, Investigations Unit is independent and will be responsible for investigations. In addition to the P5 post, external specialized investigators may be engaged for certain allegations such as those that cannot be dealt with internally. **Update as of October 2021:** The vacancy announcement has been filled and the new Head, Investigations Unit will join ITU in January 2022. **Update as of June 2022:** The Head of Investigations is in place and the function is performing its work.	Closed
Rec. 8/2019	In underlining the fact that the "Further report" offers new confirmation of our criticisms of the internal control systems in the regional area, we recommend that ITU:	The Secretary-General would like to bring to the External Auditor's attention a particular aspect of ITU's efforts to hold accountable those responsible for the fraud (not least, the main responsible individual for it), that the External	**Update as of March 2021:** 1) Disciplinary procedures have been completed and sanctions have been pronounced and implemented. 2) The Law firm hired by ITU has finalized the complaint to be brought before the national courts in	Ongoing

N.	Recommendation made by the Italian Corte dei conti	Comments received from Secretary-General at the date of the audit report	Status as reported by ITU Management	Status as assessed by the Italian Corte dei conti
	a) extend the investigation to the entire perimeter of the activities carried out by the fraudster to determine: i) whether further staff members and other people outside ITU should be considered; ii) the exact amount due as a result of the fraudster's misconduct (including through requesting the cooperation of the national investigative authorities of the countries concerned); b) complete the disciplinary proceedings currently underway with the greatest possible urgency, so as to ensure that concrete effects can result from this; c) consider including in the Staff Regulation a provision along the lines of the UN Compendium of Disciplinary Measures to establish the recovery of financial loss from those staff members whose misconduct has been ascertained as the cause of the loss in the context of disciplinary proceedings.	Auditor may not be aware of. Please know that the Secretary-General intends to institute legal proceedings before Thai domestic courts against the perpetrator of the fraud and his accomplices. To that end, the ITU Legal Affairs Unit has been in contact with the Thai national authorities for several months now, and will continue its efforts to seek their guidance and assistance. With respect to the recommendation n. 8, the Secretary-General comments more specifically: Regarding part a) of the recommendation: ITU is currently not equipped nor competent to investigate the important items identified. However, these elements may be examined in the context of a complaint before the Thai domestic courts; Regarding part b) of the recommendation: The ongoing disciplinary proceedings will be completed in the next few weeks in order to ensure that concrete effects can result from the proceedings; Regarding part c) of the recommendation: Such a provision does not exist in the ITU regulatory framework and the UN regulations are not applicable *per se* to ITU. The Secretary-General would be ready to consider the possibility of introducing such a provision in the ITU Staff Regulations and Staff Rules.	Thailand. Itu is awaiting some final procedural clarifications from the Thai Authorities before legal action is launched. 3) With regard to part c) of Rec 8/2019, it will be part of a more global reflection on the reform of internal disciplinary processes and procedures. **Update as of October 2021:** A formal complaint has been filed with the Thai anti-corruption authorities against the perpetrator and potential accomplices**.** **Update as of June 2022:** ITU has requested the External Audit team to provide the Secretariat with the names and/or functions of ITU staff members that should be investigated as per their assessment, along with any evidence and/or audit finding that can support the Ethics Office to accurately assess these cases according to ITU regulations and Rules.	

N.	Recommendation made by the Italian Corte dei conti	Comments received from Secretary-General at the date of the audit report	Status as reported by ITU Management	Status as assessed by the Italian Corte dei conti
Rec. 1/2018	We renew our Recommendation 1/2012, therefore we recommend that in order to operate on bank accounts at least dual signatures are required as a general rule and in any case to make an effort to ensure that the conditions for joint signatures and individual signature above the threshold of 5,000 USD, be complied with.	We take note of this recommendation. A dual signature is already in place in all the banks and all staff movement are also reflected. We will do a review of all our banks to make sure our instructions have been properly registered.	**Update as of December 2019:** We have done a full review of the authorized signatories to ensure our instructions are properly registered. We will follow up on this file beginning of 2020 by reviewing the bank confirmations as at 31.12.2019. **Update as of September 2020:** Some banks have still not registered our instructions we therefore are still doing a regular follow up on this issue. **Update as of March 2021:** Further to the end year confirmation a full review of the signatories registered with the bank has been done. **Update as of October 2021:** Ongoing process, the bank signatories are carefully monitored, and each change is reflected by sending instructions to the banks. **Update as of June 2022:** The control of the signatories is done on regular basis and any modifications in the staff is communicated to the bank in order to amend and update the signatories list.	Ongoing
Rec. 11/2018	We recommend setting up a standardised monitoring system, through checklists or IT guided tools, indicating how the regional Director and BDT should be effectively involved in the ex-post assessment of the effectiveness of the expenditure.	ITU has taken note of Recommendation 11 and will further study the effective involvement of Regional Directors in the assessment of the effectiveness of ITU expenditures for respective regions.	**Update as of December 2019:** The effective involvement of Regional Directors in the assessment of the effectiveness of ITU expenditures for respective regions is extremely important. BDT has strengthened its RBM-based planning activities for 2020, including regional activities. In addition, BDT is reviewing its IT support tools in planning and monitoring its expenditures. Enhanced planning and improved ITU tools should provide a good basis for the assessment of	Closed

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			the effectiveness of ITU expenditures for respective regions.	
			Update as of September 2020: BDT and IS are studying the feasibility of including country-level reporting in SAP	
			Update as of March 2021: Regional reporting has been enhanced with the OP2021 planning process. Full country level reporting will be implemented with the implementation of SAP for BDT OP, scheduled for the end of 2021.	
			Update as of October 2021: Progress with implementation of SAP for BDT OP continues, with full implementation having slightly slipped, now scheduled for end January 2022.	
			Update as of June 2022: **Considered as implemented** Country level reporting in SAP has been implemented allowing Regional Directors and BDT to assess effectiveness of expenditure. The BDT Monitoring Dashboard accessible to BDT staff provides budget & expenditure information per region for: • Regular budget, programme and activities (OP regular budget) by thematic priority; and • extrabudgetary resources.	
Rec. 13/2018	In order to improve the internal control system at Regional level, we recommend that Management formulate a specific and detailed list of expenditure that can be authorized, or excluded, by Regional Directors.	This recommendation will be taken into consideration during the review of the guidelines.	**Update as of December 2019:** This recommendation will be taken into account in the planning and implementation of BDT's operational plans in 2020. **Update as of September 2020:** In July 2020, as part of the RBM process, BDT implemented a Delegation of Authority document which contained approval thresholds applicable to RDs,	Ongoing

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			establishing a $15,000 threshold for expenditure approvals at the RD level with clear accountability lines.	
			Update as of March 2021: Implementation of the levels of authority has been built into the expert recruitment process, but needs to be fully synchronised with all procurement processes which is underway.	
			Update as of October 2021: Work on a detailed DoA framework, with specific spending authorities is ongoing as per the Regional Presence Review Report. This is expected to be completed in Q1, 2022.	
			Update as of June 2022:	
			Considered as implemented	
			The list of authorized expenditures is included in the petty cash guidelines that were shared with regional and area office colleagues. Any exception is sent to FRMD for prior approval.	
Rec. 15/2018	In order to enhance the effectiveness of the controls over duty travel related to the regional presence, we recommend setting up effective programmatic and technical monitoring through accurate, robust and consistent performance indicators, to assess whether the duty trip concerned is necessary for ITU, with the possibility of having an independent unit/body that will assess whether the duty trip has achieved its planned objectives.	ITU has taken note of Recommendation 15 and will study further enhancements in the monitoring of duty travel. Please note that every mission request form for BDT staff is submitted for approval to the supervisor, including Regional Directors. The approved mission request form is compulsory for raising an electronic travel authorization.	**Update as of December 2019:** Annual mission plans were introduced and will continue in 2020. **Update as of September 2020:** This was planned to be implemented in 2020, however due to Covid, all mission travel was suspended. Implementation will resume once travel is resumed in the Covid recovery period. **Update as of March 2021:** No Change. **Update as of October 2021:** Mission travel briefly resumed towards the end of 2021, and BDT is incorporating planning into the 2022 OP process. **Update as of June 2022:** Missions were identified to support the OP 2022 activities within the OP planning system, but clear plans still not	Ongoing

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			done because of the significant uncertainty created by the Covid-19 Pandemic	
Rec. 16/2018	Given that the fact that ITU staff frequently travel to and implement projects in their home countries may be a potential impairment for ITU independence with regard to Member States, the fact that ITU staff are travelling frequently and implementing projects in their home country, we recommend that, in order to avoid possible conflicts of interest, the Regional Directors and HQ should give careful consideration before sending staff on duty travel to their home countries, and at the same time monitor all duty travel adequately.	ITU has taken note of Recommendation 16 and will take it under review.	**Update as of December 2019:** Under review. **Update as of September 2020:** This recommendation is still under review as all mission travel was suspended. Implementation will resume once travel is resumed in the Covid recovery period. **Update as of March 2021:** No change. **Update as of October 2021:** This recommendation is being reviewed for implementation in 2022. **Update as of June 2022:** Please update as follows: This is unavoidable due to the small size of BDT's staff in the regional offices and the specialised work done by staff which sometimes requires that staff travel to their home countries. Regional Directors have been advised of this concern, and checks are made to ensure that travel is justified, and staff concerned are aware of their duty to remain impartial when travelling to their home country. The DDR conducts periodic spot checks on these travel arrangements during the approval process for this travel, by contacting the RD directly to ensure that the travel is necessary and speaking to the staff concerned to ensure that they are aware of their responsibilities.	Ongoing
Rec. 17/2018	In our opinion, action needs to be taken in each of the areas considered. Without prejudice to more detailed observations and recommendations being put forward at a later stage, we recommend that Management urgently enhance the level of internal control over HR, in particular with regard to hiring consultants, through a system involving the monitoring of their activities through key performance indicators and the adoption of	Field Staff are subject to the same policy and procedure related to performance management and development, as established in Service Order 18/06 of 19 April 2018. That policy includes as a core principle the alignment of individual objectives with organizational objectives as established in the sectorial operation plans. As to the effective monitoring of the objectives assigned to the field staff, in the course of the	**Update as of December 2019:** Comments made are still valid. **Update as of September 2020:** The work on reinforcing and streamlining the policies and procedures in those areas have been progressing, in the context of the work done by the Internal Controls Group managed by the BDT. It covers the areas mentioned in the Comments column.	Ongoing

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	specific operating Manuals, guidelines and checklists that could help assess the need to hire consultants and, ex-post, their evaluation.	design and implementation of the new performance evaluation system (E-PMDS), the HR Management Department has been working on reinforcing the establishment of work objectives through the development of stronger descriptors associated with those objectives (description of the objectives, related activities, KPIs, timeframe, partners and resources and constraints). With regard to the reinforcement of the recruitment and management policies procedures of consultants and experts, the HRM Department and BDT are working on the development of stronger procedures, also taking into consideration the recommendations established by the JIU in its ITU Management review as well as the recommendations made by the Internal Audit Unit. HRMD has been working on undertaking a "cleaning" exercise of the existing roster, which will include checking academic credentials and references of all candidates. HRMD is in contact with the UN regarding use of the newly created UN References check Centre in Bonn.	**Update as of March 2021:** BDT has implemented strengthened procedures and systems for recruitment of experts, as of 30 March 2021. This addresses the identified weaknesses. The changes include: • The Roster has been cleaned and reduced to eliminate duplication, defunct profiles, and profiles that have not been recently verified; • Expert recruitment has been revised and streamlined to assist BDT staff in recruiting an expert in an efficient and timely manner. • The new expert recruitment is designed to be fair, transparent and to adhere to the core values of integrity, professionalism and respect for diversity as well as to ITU Staff Regulation. • Profiles and the appraisal system of the roster of experts has also been updated to ensure quality, transparency and efficiency. Further enhancements to automation will be implemented at the end of 2021, together with the migration of BDT's IT Tools to SAP. **Update as of October 2021:** Implementation of BDT SAP is scheduled for January 2022. **Update as of June 2022:** **Considered as implemented** XSR – The expert recruitment system for SSA, travel cost only was launched in July 2022	

N.	Recommendation made by the Italian Corte dei conti	Comments received from Secretary-General at the date of the audit report	Internal Auditor's Management Letter SG-SGO/IA/19-09	Status as reported by ITU Management (on IA's Management Letter)	External Auditor's Previous Recommendations in the Long Form and Special Reports	Status as reported by ITU Management (on EA's recommendations)	Status as assessed by the Italian Corte dei conti
Rec. 18/2018 (reference to Table 2 of report C19/40-E)	We recommend that Management take urgent action to implement the open recommendations by the IA and EA relating to regional activities, with particular regard to Procurement.	ITU takes note of this recommendation.	RE: Recommendations on the outdated Procurement procedures for projects/Funds-in-Trust				
					Report C18/125-E Special Report on Regional Presence Recommendation 19 In line with recommendation n. 11 of our Long-Form report on the audit of ITU's financial statements for 2016, we recommend that a specific and detailed Declaration of absence of conflict of interest (DACI) should be provided duly signed by all the people involved in the procurement process.	*Update as of December 2019:* *This point has been taken into account in the new Procurement Manual. The concept paper is under review to enhance the Financial Disclosure form to include specific reference to accountability and to extend the obligation to file annually to all professional staff and Elected officials and potentially to all staff.* *Update as of September 2020:* *A new financial disclosure policy has been implemented.* **Update as of October 2021:** Considered as implemented **Update as of June 2022:** Considered as implemented	Ongoing
			Recommendations on the lack of fraud awareness among PROC staff				
			04/19-09/ML: It is recommended that Chief, FRMD organizes for PROC staff awareness training on the vulnerabilities and risks associated with	January 2020 A staff awareness training on the vulnerabilities and risks associated with fraud schemes that ITU could be	**Report n. C18/40-E Audit of Financial Statements for 2017 Recommendation n. 5** We recommend that Management improve controls on Purchase Orders/Contracts repeatedly	**Update as of December 2018:** The implementation is planned in January 2019. **Update as of April 2019:** Implemented. New procedures regarding	Closed (IAU)

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			fraud schemes that ITU could be exposed to.	exposed to, will be organised in 2020 for PROC staff.	awarded to the same supplier in order reduce the risk that ITU procurement rules and procedures being bypassed or not correctly applied.	procurement below CHF 20,000 introduced on 1 April 2019. Threshold to seek a minimum of 3 quotes is now set at CHF 5,000. Awards without bidding is limited to CHF 5,000 per transaction and CHF 20,000 per calendar year and vendor. **Update as of December 2019**: Implemented as of April 2019. *Update as of September 2020* *Implemented* *Update as of March 2021* *An anti-fraud training tailored for PROC staff took place in November 2020.* **Update as of October 2021:** Considered as implemented **Update as of June 2022:** Considered as implemented	
			Recommendation on the ineffective oversight role at the level of the RO				
			07/19-09/ML: It is recommended that the Director, BDT strengthens the oversight at the project levels by a fine-tuned	*Ref Document CWG-FHR 10/15 (Sept 2019): Point 9 **In progress*** *The procurement process to select a company for the delivery of project*	**Report C18/125-E Special Report on Regional Presence Recommendation n. 11** For accountability purposes, we recommend preparing a document	ITU has taken note of Recommendation n. 11. As far as the bank movements are concerned this document already exists and is	Closed

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			defining of the roles, responsibilities and accountabilities of staff in the project management cycle before, during and after its implementation.	*management training and certification and the review and update of the new project management manual has been finalized.* ***Update as of September*** *The new ITU Project Management Manual was approved and introduced in July 2020. The project support division is currently implementing an adoption plan to support the process to introduce the new principles established by the manual. The manual includes roles, responsibilities, and accountability of all actors involved in the projects*	summarizing all the delegations of authority, be they internal (who must sign what) or external (authorization for signature, such us bank movements and internet banking with the respective lines of responsibility).	updated each time there is a staff movement. The coordination with the banks is also done to make sure they follow the instructions given by the HQ. Internal coordination will take place for creating a summary document for the delegation of authority. **Update as of September 2020:** In July 2020, as part of the RBM process, BDT implemented a Delegation of Authority document which contained approval thresholds applicable to RDs, establishing a $15,000 threshold for expenditure approvals at the RD level with clear accountability lines. ***Update as of March 2021*** *The DOA has been implemented, however work is ongoing on a full table of delegation which will be developed in line with the ITU accountability framework.* **Update as of October 2021:** Considered as implemented **Update as of June 2022:**	

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						Considered as implemented	
			08/19-09/ML: It is also recommended that the Chief, HRMD, in collaboration with the Director, BDT promptly implements the recommendations as per the inspection report of IA from 2016, including the introduction of competitive procedures for selection of consultants.	*Ref Document CWG-FHR 10/15 (Sept 2019) Point 16 **In progress*** *The members of the Coordination Committee of ITU have agreed on the principle.* * **Update as of September 2020**: Under implementation A new e-recruitment system is under procurement.* ***Update as of March 2021** All Experts (under a Special Service Agreement (SSA)) sign a code of ethics which comprises a conflict-of-interest statement. ITU's goal is to have all SSA opportunities advertised. The organization has started announcing all new SSA vacancies. . Announcement of SSA opportunities remains cumbersome and costly in the current recruitment system. This will be resolved with the new e-recruitment system. Call for Bids for the new e-recruitment system has been completed and a provider has been selected.*			Closed (IAU)

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				Implementation is foreseen last trimester of 2021 early 2022. **Update as of October 2021:** **Update as of June 2022:**			
			09/19-09/ML: It is recommended that the Chief, HRMD in collaboration with the Director, BDT re-enforces the evaluation system/process applicable at the end of each SSA consultant's mandate. This should include introducing at least a two level sign-off (meaning the direct supervisor/recipient of the SSA services and a hierarchical manager of that supervisor) as well as a documented "blacklisting" of those SSA individuals whose performance was not satisfactory.	*Ref Document CWG-FHR 10/15 (Sept 2019) Point 17 **In progress*** ***Update as of September 2020:**** In progress SSA's deliverables are now uploaded in BDT portal before payments.* ***Update as of March 2021**** This has been fully implemented and is verifiable in the recruitment system.* **Update as of October 2021:** Considered as implemented **Update as of June 2022:**			Closed (IAU)

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Rec. 19/2018	<u>With a view to remedying promptly the issues</u> that were detected long ago, we reiterate our recommendations to the effect that, in order to prevent the risk of inaccuracies and delays in data processing, Management should: 1) implement extraordinary measures to clear the backlog in personal files and update them all within as short a time as possible, giving high priority to this task; 2) take urgent action, including through investment in external services, to enhance the HR ERP system and solve the issues/bugs identified in the implementation plan within an established timeframe.	The recommendation is supported. Organizational measures have been taken in the HRM Department for clarifying the responsibilities in the area of the determination of entitlements and their processing, and reinforcing the human capacities. A review of related business processes in also undertaken for streamlining them and reinforcing the quality control through a better segregation of responsibilities in the HRM Department. In addition, from a system point of view, HRMD and the IS Department launched in the beginning of 2019 a 2 years HR-enhancement project which will address several of the above mentioned deficiencies in ERP system. Secondly, the DSG has established a Task Force to automate (self-services) and digitize manual forms used by staff in their interaction with HRMD concerning benefits, entitlements, pension, insurances etc.	**Update as of September 2020:** The backlog has been cleared with the assistance of an additional short term human resources. Reinforcement of the integration of the existing business processes into the ERP system for reducing manual processing and introducing more automation, with an objective of simplification, reduction of time processing, and reduction of risks has been established as a priority. HRMD has been working with the IS Department on an SAP HR Enhancement project prioritizing a list of 73 items to be addressed, from bugs resolving to development of new functionalities. Digitization of administrative forms have been completed. A further development is being worked with the ISD for their integration into the Employee Self Service environment as well as in the HR ERP system. ***Update as of March 2021*** See answer March 2021 to Rec. 4/2019 **Update as of October 2021:** See answer October 2021 to Rec. 4/2019 **Update as of June 2022:** See answer June 2022 to Rec. 4/2019	This recommendation is ongoing and it is partially superseded by the new Recommendation n. 7 in the report on FS 2020

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Rec. 20/2018	In order to ensure the successful achievement of the new strategic framework, we recommend that Management should urgently: 1) explore ways to streamline the current workflows and procedures affecting the HR management functions and decide on the degree of autonomy desired to attain more efficiency and greater accountability (starting from those procedures which have revealed major weaknesses, such as the recruitment of consultants); *2) complete the inventory of competencies including those of a technical nature; this can be the only basis for identifying the current HR internal potential and the additional operational skills needed to keep pace with the high standards of service desired for ITU.*	The recommendations are supported. As mentioned vis-à-vis the recommendation No. 19, a review of existing processes and workflows is underway with a view to streamlining, simplifying and automating those processes, and for a better integration into the ERP environment. As to the inventory of technical competencies, which represents the third pillar of the newly implemented competency framework, the completion of the exercise is part of the implementation of the new HR Strategic plan established for submission to the Council session 19 for approval, and as part of succession planning activities.	**Update as of September 2020:** 1) this objective is fully integrated into the project referred to vis-à-vis Rec. 19/2018 *2) The development of the third pillar of the ITU competency framework has been completed. The technical competencies have been identified from the main domains of expertise of our Organization and compiled into a catalogue. Each of the domain is further divided by Job Title with a corresponding list of competencies attached to it. The ITU Technical Competencies Catalogue is being integrated in the ITU Competency Framework (Service Order 18/03) and e-PMDS. All ITU staff establishing their 2020 e-PMDS will be assessed against these technical competencies.* **Update as of March 2021** No further update. **Update as of October 2021:** A new Recruitment Management System (RMS) will be implemented and rolled out in late 2021 and early 2022 answering to elements on the recruitment of consultants. **Update as of June 2022:** This work is ongoing.	Status sub 1 is still ongoing *Status sub 2) (in italic) was considered as "Closed"; it is reported here only to have the complete recommendation*

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Rec. 1/2017	<u>We recommend</u> that Management, in the evaluation process of the projects and studies for the fulfilment of the new HQ premises, consider the needs of the Union in a long-term period, also taking into account the ITU Human Resources Strategic Plan.	The Management Board of the Building project has taken note of this recommendation. The on-going discussions and studies aimed at supporting the decision making process on a certain number of options related to the design, dimensioning, etc. of the new building and which are based on projections of the number of staff (regular and non-staff) which could be in service on the date of delivery of that new building.	**Update as of December 2018:** The options related to the design, dimensioning, etc. of the new building are indeed based on projections of the number of staff (regular and non-staff) which could be in service on the date of delivery of that new building. **Update as of April 2019:** The Management Board of the Building project has dimensioned the New Building according to the expected needs at the time of opening, for all constituencies of occupant: this is also expected to be sufficient for the long-term needs. **Update as of December 2019:** The project design, budget and number of workspaces have been approved at the additional council session in September 2019. Those have been dimensioned based on projections of the number of staff (regular and non-staff) received from HRMD and are expected to be sufficient for the long-term needs of the organization. **Update as of September 2020:** As a result of COVID-19, the workplace will be forever changed. it's going to be modified in strategic ways, incorporating new practices, new protocols, and new technologies. These changes will incorporate the lessons learned from our extended time working from home. In the context of the pandemic, the ITU has proven that it can work effectively using teleworking and to the extent possible electronically.	Ongoing

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			To address the latter of aspects that must be treated, the secretariat recommended consultants may need to be contracted. Consequently, a tender was issued beginning of September to appoint a specialised firm to develop a HR Staff Working Conditions Implementation Plan. Given the most recent impact of Covid19 on work practices among which teleworking, and homeworking became necessary, the first deliverable will include initial outcomes and findings on ITU job profiles, work practices and recommendations to be considered for the implementation into the staff relocation proposal and new building office space allocation and/or design.

Update as of March 2021
Contract with specialised workplace consultancy placed with D&S. Kick-off meeting to initiate the submission of initial deliveries planned at the beginning of April. First outputs providing guidelines for the design of a post covid19 work environment expected to report back to Council in June 2021.
Creation of a cross discipline team to address change management and the implementation of new ways of working composed of members from BPD, HRMD, SCD and the Library.

Update as of October 2021:

Work is progressing with the change management cross discipline team to address change management, however, the work with the consultancy firm D&S was | |

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			curtailed pre-maturely as their understanding of what ITU needs was not in line with our expectations and contractual agreement with them. **Update as of June 2022:** Contract placed with workplace consultancy SOM to continue the work of previous consultancy for two initial phases. Phase I commenced in February 2022 with a discovery stage, comprising review of project to date and all relevant information and an Inception Report confirming the project parameters. Further stakeholder engagements on headcounts, functional requirements and work profiles were conducted between April and June 2022, with analysis and findings on ITU requirements for the workplace provided in a Workplace Assessment Report. Phase I will conclude in August/September 2022 with a Business Case for a suitable workplace concept for ITU based on the analysis. Consultation with stakeholders has been undertaken at each stage. Phase II will commence in August 2022 with detailed development of the workplace concept for the interim period, followed by development for the new HQ. Subsequent phases are envisaged, subject to available funding, to implement a change management programme and pilot, develop a framework to support the new workplace concept, and undertake post-occupancy evaluation	

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Rec. 2/2017	We recommend that, in order to mitigate the risk of inaccuracies, Management should: 1) implement extraordinary measures (such as an ad hoc task force) to clear the backlog in personal files within as short a time as possible; 2) rationalize the flows for data storage and management, thereby correcting the current fragmentation; 3) invest in IT resources, to eliminate any manual inputs related to the new compensation package, following a list of pre-established urgencies, and 4) enhance the salary payment function by introducing further checks on the payroll.	The recommendations are fully supported. The HRM Department has been working on a series of actions (short, mid and long term) aimed at addressing the various questions raised by the External Auditors, including: - a reorganization of the HRM Department, completed in 2017; - a business-processes review for evaluating the existing processes and procedures, with the view to streamline the existing ones and establishing the new ones required, e.g., for supporting the implementation of the new compensation package (more particularly the new education grant scheme); - the completion of a comprehensive list of IT requirements, for discussion with the IS Department, for establishment of an action plan, covering the shortfalls existing into the systems, the development of new functionalities, the automation of existing manual processes, the development of additional ESS (employee self-services) functionalities, etc.; - the review and, if necessary, redesign, of the e-filling project launched in 2010 for dematerializing the information managed by the HRM Department, with an integration of that information into a stronger and more comprehensive information management system.	**Update as of December 2018:** The complete list of HR related IT requirements has been submitted to the IS Department and a project called HRMD Enhancements 2019-2020 has been launched. The principal objective of the Project is to add new functionalities, enhance existing process and "fix bugs" in the current SAP HRMD modules which include Personnel Management (HR Admin, Benefits & Entitlements, etc.), Payroll, Employee/Manager Self services and interfaces with external systems such as UNJSPF and Cigna. The project covers the following key activities: 1. Review the requirements list (see spreadsheet xyz) provided by HRMD. 2. Develop an implementation plan. 3. Procure external services, if needed. 4. Configure and develop solutions for the requirements specified in the requirements list. 5. Support HRMD during the project and post go-live. In parallel to this project, an "e-filling" project is also being designed for launching in the course of 2019.	Ongoing

		Update as of April 2019: The last actions related to the HMD reorganizations have been taken in the course of April/May 2019. Amongst those actions are the reinforcement of the Payroll section. In addition to the advertisement of a P2 position, a staff member has been assigned on the existing G5 position which was vacant. The reinforced unit includes in its mandate a reinforcement of the control mechanism as well as a better segmentation in between the functions related to the establishment of entitlements and the ones in relations with the calculations of those entitlements. The Chief of the Payroll unit has been mandated as project manager for the e-filling project, for reengineering the existing system and extending it to the whole HRMD. The IT requirement list mentioned in last report has been converted into an HRMD/ISD SAP-HR enhancement project. **Update as of December 2019:** The projects referred to above had to be delayed, as the priorities had to be given by the Payroll unit as well as the Service in the Information Service Department in charge of the HR related ERP systems to the implementation of the Judgement delivered by the ILO Administrative Tribunal on the question of the Geneva Post Adjustment, as well as to the transition from the current Health insurance system (CMIP-CIGNA) to the UNSMIS health insurance as from the 1st of January 2020. The activities related to the HRMD Enhancements 2019-2020 projects will be resumed in 2020.	

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			In the meantime, all vacant positions in the Payroll service have been filled in. The redefinition of the distribution of responsibilities in between the Staff Administration Service and the Payroll service has also been almost completed. **Update as of September 2020:** Although the COVID-19 situation have been having an impact on the various projects, the review of the HR related ITU functionalities continues and some of the priorities identified are about to be completed, such as the integration of the education grant scheme into the SAP-HRM module. The project related to e-filing is being re-evaluated since a large majority of HR actions had to be managed remotely and in an electronic format. The level of dematerialization of documents has been significantly increased in the context of teleworking imposed by the COVID-19 confinement. This reinforces the need of putting in place a strong information management architecture, policies and tools. **Update as of March 2021** See answer March 2021 to Rec. 6/2019 **Update as of October 2021:** The 2019-2020 HR Enhancement project has been completed. Continuous improvements are never-ending. HRMD in collaboration with ISD, and other Departments where necessary, will maintain,	

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			troubleshoot and upgrade the SAP HR system based on pre-agreed scopes of work. **Update as of June 2022:** This work is ongoing	
Rec. 3/2017	We recommend that an intense preparatory activity be carried out in advance of the Strategic Plan for human resources, so as not to delay its implementation once it has been adopted in spring 2019. This should include: (i) a thorough skill gap analysis, with respect to internal potential of available resources, including technical skills, based on the outcome of the new assessment tool and the Competency Framework; (ii) the identification of sensitive posts and the preparation of a succession plan for the short and medium terms; (iii) a streamlining of the services and processes prior to determining the minimum size of the staff requested to fulfill the institutional functions, and (iv) the criteria for internal vs external recruitment and for the use of non-staff and short-term personnel.	The recommendation is supported. The elements listed under (i) to (iv) are integral part of the development of the HR Strategic plan to be submitted to the 2019 Council session for approval, based on the ITU Strategic plan and the Financial plan to be approved by the 2018 Plenipotentiary Conference in Dubai.	**Update as of December 2018:** The development of an HRSP has been endorsed by the PP-18 through its inclusion into Resolution 48 on HR management and development. IT is now being developed by HR, in consultation with all internal partners (Bureaux and Departments, Coordination Committee, Staff Council, Joint Advisory Committee…) for its submission to the 2019 Council session for approval. It will include all the items mentioned in the recommendation. **Update as of April 2019:** The ITU People Strategy and the HR Strategic Plan (20-23) have been developed by HRMD based on a consultative process conducted from 15 January to 15 to March 2019 with Bureaux and General Secretariat (GS) as well as Staff Council. This consultative process consisted of an extensive communication through memoranda and presentations on the new ITU People Strategy as well as on the potential structure and content of the HRSP. Following these presentations, each Bureau/SG Department and the Staff Council have been requested to provide inputs by 15 March 2019 both on the narrative sections of the ITU People Strategy and on the specific	Ongoing

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			needs to be reflected in the HRSP. Inputs and comments have been received across all sectors and reflected in this final document.	
			This process has been essential to translate the priorities and goals of the ITU People Strategy (Pillar 1, 2, 3 and 4 as described in Section 5 of the Annexed ITU People Strategy 20-23) into an HRSP driven by the specific needs of the Bureaux/ SG Departments and in line with the overall ITU priorities and goals.	
			While the scope of a consultative process by Bureau and SG Department was to ensure the identification of specific needs for a more targeted approach, the HRSP aims at supporting through HR functions the Organization as of being "One ITU". This was also strongly recommended by internal stakeholders which has resulted in "One HRSP".	
			All the elements mentioned in the recommendation are integrated into the final product, which is now ready for submission to the C19 Council session.	
			Update as of December 2019:	
			The HR Strategic plan for 2020-2023 resulting from the process described above has been approved by the 2019 Council session. Its implementation is in progress and reports on that implementation status will be submitted to the 2020 Council session.	
			Update as of September 2020:	

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			The September 2019 comment remains valid. A report had been prepared for submission to the 2020 Council session but was not considered by the Virtual council consultation In June 2020. It has been postponed and scheduled for consideration at the next Council session. **Update as of March 2021** ITU is undertaking a comprehensive skills ga analysis to define the skills most needed for ITU's ability to remain relevant on the long term and foster a healthy organizational culture for its staff. This project also intends to create a baseline of the current level at ITU against each relevant skill, and to identify the largest gaps to be addressed. Finally, this initiative will design and implement the best set of actions to sustainably address the gaps and build the necessary talent resources for the future. **Update as of October 2021:** No further updates since March 2021. **Update as of June 2022:** No further updates	

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Rec. 2/2015	*A revision of the depreciation's coefficients is needed* In this regard, <u>we recommend</u> 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.	Update as of end April 2017 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 **Update as of April 2018:** None **Update as of December 2018:** Current depreciation parameters are being reviewed and are planned to be implemented. **Update as of April 2019:** SAP consultant is recruited to implement ERP system changes effective 2020. Update as of December 2019: None **Update as of September 2020:** New depreciation parameters for building is applied effective 1st January 2020 in accordance with UN practices. Adjustments to net book value will be carried out accordingly in 2020 financial period. Amendments to Financial Rules and Regulations has been proposed to Council to remove the of CHF 5000, which will allow ITU to set lower capitalization threshold internally and capitalize low value items. **Update as of December 2020:** The VCC2 approved the Amendments to Financial Regulations and Financial Rules related to the capitalization threshold which will allow ITU to set lower capitalization threshold internally and capitalize low value	Ongoing

N.	Recommendation made by the Italian Corte dei conti	Comments received from Secretary-General at the date of the audit report	Status as reported by ITU Management	Status as assessed by the Italian Corte dei conti
			items. This will be implemented as from 2021. **Update as of March 2021** The new capitalization threshold has been implemented starting January 2021. **Update as of October 2021:** SAP system configuration is being updated and capitalization threshold being reviewed per asset class. **Update as of June 2022:** SAP system configuration is under review each asset class is being reviewed.	
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 end April 2017:** The situation of recovered assets had improved as at 31 December 2016 compared to 2014 and previous years. The same effort was made during 2016. By way of comparison, the value of the assets not found on 31 December 2012 was 392'744 CHF, compared to 22,024 CHF on 31 December	Ongoing

		2016	
		Update as of April 2018:	
		The value of assets not found as on 31 December 2017 amounted to 29'792 CHF, of which CH 3'901 CHF is from the 2016 period.	
		Research will continue in 2018 fiscal year to recover as many misplaced assets as possible.	
		Update as of December 2018:	
		Current procedures and processes are being reviewed including the process for assets not found.	
		Update as of April 2019:	
		There were 313 assets not found in the 2018 physical inventory, corresponding to an acquisition value of 164'575 CHF. The field office inventory was unaffected, with all assets located.	
		Update as of December 2019:	
		New inventory system implemented in 2019 must minimize assets not found.	
		Update as of September 2020:	
		For FMD, there were 82 assets not found in the 2019 physical inventory, corresponding to an acquisition value of 34'576 CHF. The field office inventory was unaffected, with all assets located.	
		For IT equipment, there were approx. 600 assets not found in the 2019 physical inventory, corresponding to an acquisition value of 588'781 CHF for headquarter and 16'264 CHF for field office.	
		Update as of March 2021	
		Physical inventory for 2020 was revoked upon decision by Secretary General, due to the Covid-19 situation.	

N.	Recommendation made by the Italian Corte dei conti	Comments received from Secretary-General at the date of the audit report	Status as reported by ITU Management	Status as assessed by the Italian Corte dei conti
			Update as of October 2021: The physical inventory will be conducted in November & December 2021 **Update as of June 2022:** For Facilities Management, there were 134 assets not found in the 2021 physical inventory, corresponding to an acquisition value of 56,297 CHF for headquarters and 658 CHF for field offices. For IT equipment, there were approximately 2230 assets not found in the 2021 physical inventory, corresponding to an acquisition value of 2,795,150 CHF for headquarter and 77,320 CHF for field offices.	

Annex 2 – Follow-up to suggestions in our previous reports

		Suggestion made by the Italian Corte dei conti	Comments received from Secretary-General at the date of the audit report	Status as reported by ITU Management	Status as assessed by the Italian Corte dei conti
Sugg. 3/2019		Acknowledging that a "report misconduct" link was introduced on the ITU's website, <u>we suggest</u> increasing the visibility of this link, for example by displaying it at the top of each webpage.	ITU will propose enhancing the visibility of the "report misconduct" link as part of the upcoming re-design of the ITU website.	**Update as of October 2021**: The re-design of the ITU website is currently ongoing and Ethics will follow up on enhancing the visibility of the "report misconduct" link. **Update as of June 2022**: The re-design of the ITU website is still in progress. The Ethics Office will follow up on enhancing the visibility of the link	Ongoing
Sugg. 2/2015		*Host Country Agreements for Field Offices* <u>We</u> therefore <u>suggest</u> that ITU Management continue to review the current host country agreements, with the aim of formalising the "accepted practices" and the benefits obtained by the HCA, in order to enhance its role and protect its assets.	Suggestion No. 2 is acceptable and in practice its implementation has been ongoing for several years and will continue in the future. Thus, a specific agreement for the Area Office in Honduras where there was no concrete agreement, was concluded in 2013. Similarly, a formal agreement for the Area Office in Indonesia (for which no formal agreement currently exists) should be signed in the near future; the draft agreement was the subject of an agreement in principle on the part of both parties with the exception of one paragraph which remains pending due to internal consultations within the Government of Indonesia. A review of the Host Country Agreement currently in force for the regional office in Bangkok may also be finalized soon. Finally, the negotiations for the conclusion of a host country agreement for the Area Office in Chile are also under way. The aim of the ongoing negotiations for the field offices where there is no formal host country agreement, is to codify existing practice through an agreement with the host countries concerned.	**Update as of September 2020:** A formal host country agreement for the Area Office in Indonesia (for which there was no formal agreement) has been signed in April 2017 after 8 years of negotiation. It is provisionally applicable since its signature by both Parties but did not enter into force as the internal ratification process has not yet been completed. The Secretariat, who got this information very recently, will get in touch with the Indonesian Authorities to accelerate the process. A revision of the host country agreement currently in force for the Regional Office in Bangkok may also be finalized soon. The most recent follow up was through a kind reminder letter to the Thai Authorities by the Director of BDT. Finally, the negotiations for the conclusion of the host country agreement for the Area Office in Chile are kept pending. **Update as of March 2021** The situation remains unchanged. However, the current reflection on the regional presence has also to be taken into account in this context.	Partially implemented

		Suggestion made by the Italian Corte dei conti	Comments received from Secretary-General at the date of the audit report	Status as reported by ITU Management	Status as assessed by the Italian Corte dei conti
				Update as of October 2021:	
				Discussions have continued regarding host country agreements for the identified offices, as well as considering updates for all offices.	
				Effective on 11 May 2021, the HCA for the Jakarta office came into force by presidential decree, so this issue is now resolved and closed.	
				The revision of the HCA for the Bangkok office to reflect the move and change in focal points, remains under consideration. This is being considered as part of a need to review and modernise all HCA. It should be noted that a revision to the HCA for Harare was recently proposed in connection with a move of that office, and has been agreed to in principle between ITU and the host country, for further action by legal and the RO.	
				No change in the situation for the Chile HCA, but outreach continues.	
				Update as of June 2022:	
				The HCA with **India** was signed in March 2022.	
				On 4 May 2022, background information and ITU's request to have a HCA signed with the Government of **Chile** was presented to Mr Claudio Araya, Undersecretary of Telecommunications, who took office in March 2022. In July 2022, information on the steps taken by the ITU to sign a HCA was sent to the UN Resident Coordinator (RC) in Chile who	

	Suggestion made by the Italian Corte dei conti	Comments received from Secretary-General at the date of the audit report	Status as reported by ITU Management	Status as assessed by the Italian Corte dei conti
			intends to discuss with the Chilean Ministry of Foreign Affairs.	
			In August 2022, the RD of **Bangkok** office wrote to NBTC Thailand to request support to finalise a revised HCA.	
			Discussions are ongoing regarding ITU's move to UN common premises in **Dakar**. BDT is seeking clarifications.	
			Discussions are also ongoing regarding the revised HCA **Harare**.	

Annex 3 – Follow-up to our recommendations issued in the special report on Regional Offices

N.	Recommendation made by the Italian Corte dei conti	Comments received from Secretary-General at the date of the audit report	Status as reported by ITU Management	Status as assessed by the Italian Corte dei conti
Rec. 1	In line with our Suggestion n.1, in the absence of a specific reference framework for field offices in PP Res. 25, we recommend that Management prepare a specific internal document, where the objective of "strengthening the regional presence" set by PP Res. 25 is clearly translated into measurable objectives for field offices, associated with accurate and consistent KPIs.	ITU will further study Recommendation n. 1. ITU would like to highlight that regional activities are implemented through combined efforts of the HQ and regions. Activities of HQ and regions are highly interlinked and inseparable. In addition, Objectives and KPI's covering both the HQ and regional activities already exist in the WTDC Action Plan and the rolling four-year Operational Plan. These are already covered by the annual reports of the SG to Council on "Strengthening the Regional Presence" and the annual performance reports, and quarterly performance reports published by BDT to inform the membership regularly. Furthermore, PP Resolution 25 presents the high-level membership requirements for ITU regional activities. Adding another set of KPIs to Res 25 will duplicate with the existing set of KPIs.	**Update as of December 2019:** As endorsed by the 2019 Council, the review of the regional presence of ITU is currently conducted by an external entity, which will take into account External Auditor's recommendations relating to Regional offices. **Update as of June 2022:** The regional presence project was established and is led by the Deputy to the Director of BDT to implement agreed recommendations of the PwC Regional Presence review. ITU membership have access to the Regional Presence dashboard that outlines the status of implementation of all recommendations related to regional presence. https://www.itu.int/en/council/ties/Pages/regional-presence-dashboard.aspx BDT's planning exercise for 2023 is conducting needs-based prioritization through statistics analysis and country consultations, and frame the most appropriate modalities planned for delivery (e.g., P2C pledges or Project Mobilization, with complementary targeted investment from OP).	Ongoing
Rec. 2	As a next step, we recommend explicitly linking, in cascade connection, the objectives of the Action Plans and Operational Plans with the concrete objectives resulting from PP Res. 25, with a view to reporting to Council accordingly	Consequently, ITU will also further study Recommendation n. 2. ITU would like to highlight that this link is always taken into consideration in the planning of Operational Plans, which is made by ROs' Management	**Update as of December 2019:** As endorsed by the 2019 Council, the review of the regional presence of ITU is currently conducted by an external entity, which will take into account External Auditor's recommendations relating to Regional offices. The RBM process also takes this into account. **Update as of June 2022:**	Ongoing

N.	Recommendation made by the Italian Corte dei conti	Comments received from Secretary-General at the date of the audit report	Status as reported by ITU Management	Status as assessed by the Italian Corte dei conti
			In preparing the draft Strategic and Financial Plans for 2024-2027 the CWG SFP agreed to include the following principle: - **Regional presence:** Provide inputs on how to incorporate the role of ITU's regional presence in the strategic plan.	
Rec. 3	In order to foster the "one ITU" approach, the objectives and related KPIs identified for field offices should also reflect the objectives and KPIs of the other ITU Sectors; we therefore recommend exploring opportunities to enhance the coordination regarding regional presence among Sectors.	ITU agrees with Recommendation n. 3. ITU would like to highlight that various internal and membership-led coordination mechanisms, involving regional activities, among Sectors already exist and will continue to enhance coordination on regional presence among Sectors. Existing KPIs already accommodate the needs of all ITU Sectors.	**Update as of December 2019:** As endorsed by the 2019 Council, the review of the regional presence of ITU is currently conducted by an external entity, which will take into account External Auditor's recommendations relating to Regional offices. **Update as of June 2022:** Ongoing: The implementation of this recommendation will involve: • Convening of a coordinating committee, with clear Terms of Reference, an appropriate periodic meeting schedule, and effective electronic monitoring and evaluation methods; • Ensuring engagement by Regional and Area Offices with member states on needs for assistance on matters pertaining to all Bureaux and the General Secretariat; • Providing a clear framework for provision of assistance from all Bureaux and the General Secretariat to meet member needs.	Ongoing
Rec. 4	We recommend that Management should prepare a comprehensive flow chart, so as to make the functions, roles and activities of ROs understandable to all staff. At the same time, the regional staff should have a view of the objectives, sub-objectives and related KPIs associated with this flow chart, with a view to	ITU has taken note of Recommendation n. 4. ITU would like to highlight that flow charts explaining positions and reporting lines of ROs already exist. Performance of regional activities are regularly monitored on the basis of Objectives and KPIs.	**Update as of December 2019:** As endorsed by the 2019 Council, the review of the regional presence of ITU is currently conducted by an external entity, which will take into account External Auditor's recommendations relating to Regional offices. The RBM process also takes this into account.	Ongoing

N.	Recommendation made by the Italian Corte dei conti	Comments received from Secretary-General at the date of the audit report	Status as reported by ITU Management	Status as assessed by the Italian Corte dei conti
	monitoring the implementation of the regional presence and mitigating the associated risks in a consistent way.		**Update as of June 2022:** To further guide coherent programmatic focus in the mandate delivery at all levels and through ITU's regional presence, BDT has standardized programming through a Theory of Change (ToC) framework which synchronizes RBM, key performance indicators (KPIs), Thematic Priority pathways, operational planning, sequenced technical support offerings and portfolio performance assessment structure between HQ and the Regional Offices. This regional ToC synchronization will help regions to strategically match BDT technical support according to their Regional Initiatives and specific local trends, while also maintaining alignment with global performance goals and objectives as well as the global vision and mission defined in the ITU Strategic Plan. BDT's standardized programming framework implements a Six Step Digital Transformation design approach. The alignment of BDT's internal evaluation framework prioritizes efforts through targeted improvements in key indexes and indicators as results of BDT's interventions at country level.	
Rec. 5	Whilst monitoring of the individual actions is carried out systematically both at RO and HQs levels, and the results are regularly reported to the Council, our audit found no comprehensive ad hoc documents on the evaluation of the effectiveness of the RIs themselves. Considering that every Action Plan may introduce new objectives and indicators for the reference period, we recommend that an external and independent mid-term and/or ex-post assessment of the effective and efficient achievement of the objectives decided at the WTDC level be conducted, in order to bring added value to the process. Similarly, a comprehensive mid-term and/or ex-post evaluation might be envisaged on whether the	ITU has taken note of Recommendation n. 5. However, ITU would like to highlight that the functions of the evaluation of the effectiveness of the RIs and the mid-term assessment is entrusted to and done by TDAG and Council. Since all results are presented to TDAG and Council, in our view they are the final evaluators of the effectiveness of the implementation carried out.	**Update as of December 2019:** As endorsed by the 2019 Council, the review of the regional presence of ITU is currently conducted by an external entity, which will take into account External Auditor's recommendations relating to Regional offices. The RBM process also takes this into account. **Update as of June 2022:** This exercise is ongoing.	Ongoing

N.	Recommendation made by the Italian Corte dei conti	Comments received from Secretary-General at the date of the audit report	Status as reported by ITU Management	Status as assessed by the Italian Corte dei conti
	objective of "strengthening the regional presence" has been achieved in accordance with PP Res. 25.			
Rec. 6	We understood from Management that more actions are proposed than they are approved in the regional part of the Operational Plan; however, there is no specific methodology, framed in a system, for weighting them and for defining the respective priorities in an objective way. Therefore, we recommend that guidance should be provided as to how to set priorities on the basis of objective criteria. These criteria should also be consistent in all the ROs across the world, while taking into account the intrinsic differences between regions.	ITU will further study Recommendation n. 6. ITU would like to highlight that when funding is not sufficient, the priority is determined in line with criteria in the Action Plan, taking into account regional initiatives approved by Member States. A regional Action Plan referred to in this report is understood to be the regional part of the Operational Plan. The regional part of the Operational Plan is planned by ROs' management in consultation with regional team based on the needs of Member States and preferably linked to the regional initiatives.	**Update as of December 2019:** BDT has reinforced its RBM-based planning of its activities in 2020 reviewing carefully activities proposed in the regions and ensuring that they respond to the needs and priorities of ITU's regions. The planning is prepared in close coordination with the focal points in the regions and heads of regional and area offices. The final approval of annual plans lies with the BDT Director. **Update as of June 2022:** To further guide coherent programmatic focus in the mandate delivery at all levels and through ITU's regional presence, BDT has standardized programming through a Theory of Change (ToC) framework to which synchronizes RBM, key performance indicators (KPIs), Thematic Priority pathways, operational planning, sequenced technical support offerings and portfolio performance assessment structure between HQ and the Regional Offices. This regional ToC synchronization will help regions to strategically match BDT technical support according to their Regional Initiatives and specific local trends, while also maintaining alignment with global performance goals and objectives as well as the global vision and mission defined in the ITU Strategic Plan. BDT's standardized programming framework implements a Six Step Digital Transformation design approach. The alignment of BDT's internal evaluation framework prioritizes efforts through targeted improvements in key indexes and indicators as results of BDT's interventions at country level.	Ongoing

N.	Recommendation made by the Italian Corte dei conti	Comments received from Secretary-General at the date of the audit report	Status as reported by ITU Management	Status as assessed by the Italian Corte dei conti
Rec. 7	<u>We recommend</u> that ITU should strengthen its role in the evaluation of projects with a view to: 1) preventing reputational risks regarding non-functioning projects; 2) having a comprehensive picture of the impact of its work and, 3) identifying any possible corrective action relating to the implementation of projects. This involves urging its counterparts to allocate specific funds in every project to cover its evaluation. For minor projects, if performing an evaluation is considered not to be cost-effective, Management should nevertheless carry out a limited analysis of the project's performance.	ITU has taken note of Recommendation n. 7. ITU will continue to explore possibilities with counterparts to allocate specific funds in every project to cover the evaluation of such projects.	**Update as of December 2019:** ITU conducted a first comprehensive project management training and certification in November 2019 for ITU staff (BDT – HQ and Regional/Area offices, Secretariat, BR, TSB) involved in the development, planning, implementation and support of ITU projects. Due to the success of this first training, a second group and training will be planned for 2020. **Update as of June 2022:** ITU has continued to strengthen the monitoring and evaluation of ITU extrabudgetary projects, and to reinforce the follow up of the corrective actions for projects that are not on track. Some of the actions implemented include the following: (1) Establishment of the Projects Board. Chaired by BDT director, the Board meets on a monthly basis to review the implementation of ITU project portfolio. 80% of the recommendations from the Board have been implemented. (2) Reform of the quarterly assessment report and introduction of new project management dashboards to be used by ITU management, project managers and ITU support services; (3) Strengthening of Project Governance through the introduction of steering committees for projects; (4) Introduction of new ITU Project Management Manual in 2020, aimed at standardizing and reinforcing project management practices across ITU. This action has been complemented with the introduction of a 'Community of Practice for ITU Project Managers'. With regards to strengthening evaluation of projects, the introduction of evaluation costs in project agreements is now done for all large-scale ITU projects.	Ongoing
Rec. 8	During our audit we found that, apart from the "specific-to-project" risk analysis, there is no comprehensive risk analysis for all the risks that might occur in the Region and the risks that might	ITU has taken note of Recommendation n. 8. ITU would like to highlight that there is an overall risk analysis that is carried out and reported yearly in the Operational Plan. ITU	**Update as of December 2019:** As endorsed by the 2019 Council, the review of the regional presence of ITU is currently conducted by an	Ongoing

N.	Recommendation made by the Italian Corte dei conti	Comments received from Secretary-General at the date of the audit report	Status as reported by ITU Management	Status as assessed by the Italian Corte dei conti
	impair the objectives of "strengthening the regional presence". We therefore recommend that there should be a comprehensive risk analysis and that this tool should be linked to the Objectives laid down in PP Res. 25. This should be shared among HQ and ROs.	will endeavour to strengthen this analysis in the Operational Plan.	external entity, which will take into account External Auditor's recommendations relating to Regional offices. **Update as of June 2022:** A risk management and internal control dashboard is available to focal points and senior management providing up-to-date information to support management decisions. Risks that might impair the objectives of strengthening regional presence are listed there. Service Order on ITU Accountability Model and Framework was issued in 2022.	
Rec. 9	In the course of our audit, we found some cases where recommendations had been considered as "closed" by the IAU, whereas our audit showed that they were still "in progress". We therefore recommend that the IAU should follow up on their recommendations and only consider them as "closed" where there is adequate evidence.	Recommendation n. 9 is duly noted and IAU recommendations will not be closed unless the respective managers have provided adequate evidence, also taking into account the cost efficiency and priorities when the residual risk of partial non-implementation of IAU recommendations is very low.	**Update as of December 2019:** Recommendations are only closed when adequate evidence is available. **Update as of June 2022:** Recommendations are only closed when there is adequate evidence.	Closed
Rec. 10	Following the IAU's recommendations, we recommend increasing efforts to obtain an HCA to protect the ITU's role and interests.	ITU has a HCA for all the regional offices and area offices, except for the area office of Santiago de Chile for which negotiations with the host country are ongoing. ITU has done all the paper work and a proposal is being analysed by the Chilean Administration.	**Update as of December 2019:** ITU is still discussing with the country. It is to be noted that the office premises will change to the WLO as the Administration will close the building where the area office is currently located. ITU expects that this change will help to accelerate the discussions on the signature of the HCA. **Update as of June 2022:** The HCA with **India** was signed in March 2022. On 4 May 2022, background information and ITU's request to have a HCA signed with the Government of **Chile** was presented to Mr Claudio Araya, Undersecretary of Telecommunications, who took office in March 2022. In July 2022, information on the steps taken by the ITU to sign a HCA was sent to the UN	Ongoing

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			Resident Coordinator (RC) in Chile who intends to discuss with the Chilean Ministry of Foreign Affairs. In August 2022, the RD of **Bangkok** office wrote to NBTC Thailand to request support to finalise a revised HCA. Discussions are ongoing regarding ITU's move to UN common premises in **Dakar**. BDT is seeking clarifications. Discussions are also ongoing regarding the revised HCA **Harare**.	
Rec. 12	In relation to A): we recommend adopting a standardised report form to record any exceptions, with the signature of the senior official who has approved the exception. An exception register might also be created for effective monitoring by HQ (this might also be extended to areas other than petty cash management). In relation to B) we share the IAU's view. However, due to the fact that AOs are geographically dispersed, effective unannounced on-the-spot checks are only feasible in the Regional Office where the RD is resident. For instance, an AO receiving the RD for any operational mission might reveal a potential unannounced check in advance to the Area Office Management, thus making the check lose part of its effectiveness. In order to increase the level of effectiveness of unannounced checks on petty cash, we therefore recommend that the Regional Director should receive monthly reports on petty cash expenditure from all the AOs (at the moment, AOs only send their reports directly to HQ), so as to have an opportunity to perform recurrent desk reviews, sign them off and then forward these reports to HQ. Following the same logic, unannounced checks through desk	ITU has taken note of Recommendation n. 12. ITU would like to highlight the following: In relation to A), petty cash is used for small purchases which do not normally require 3 offers. In relation to B), summary petty cash reports from area offices can be shared with Regional Directors. In addition, the recommendation on "unannounced checks" will be further explored. In relation to C), monthly petty cash reports are all signed by regional directors and heads of area offices. In addition, purchases are done through electronic shopping cart procedures which provide all the necessary approvals and background information.	**Update as of December 2019:** The guidelines for the petty cash management are currently under revision. **Update as of June 2022:** The petty cash guidelines have been reviewed and shared with all the Area/Regional offices during several meetings. A careful monitoring of the petty cash report is done on monthly basis and all the reports are now signed by the regional directors before being sent to HQ. Unannounced spot checks on petty cash balances are carried out by FRMD/EFCU.	Ongoing

N.	Recommendation made by the Italian Corte dei conti	Comments received from Secretary-General at the date of the audit report	Status as reported by ITU Management	Status as assessed by the Italian Corte dei conti
	reviews might also be performed by HQ on the RO where the Director is resident (please see our recommendation on Banking operations). Furthermore, we recommend that a specific procedure and template should be adopted at HQ and be followed by all the RO Directors. In relation to C), although we refer to petty cash expenditures and the purchase of stationery or other items for the normal running of the office, we recommend that there should be a template for every purchase request indicating the "initiating Agent", as well as the person who authorizes the specific purchase, such as the RD and/or the AO Manager.			
Rec. 14	With regard to the inventory, we recommend that Management should enhance the level of accuracy of the Asset register, in particular in relation to asset management and items that are disposed of after being written off.	ITU has taken note of Recommendation n. 14. ITU would like to highlight that since the end of 2013 IT assets are assigned to each individual. In addition, online platform on Inventory Records keep track of IT equipment assigned to each individual including Regional Offices. An update of software is planned in the end of 2018 that will be integrated directly with SAP that should resolve the issue with non-assigned IT equipment. When assets are written off, they are removed from asset register and disposed accordingly. Several service orders are issued on Asset Management. Trainings will be organized to Regional Offices to properly record and follow the service orders as well as the delivery of new inventory scanners is planned in 2019.	**Update as of December 2019:** No further update. **Update as of June 2022:** The processes and supporting SO are in place. ITU will continue to improve by adhering to these processes, train & inform staff of their responsibility	Ongoing See report of Brasilia and asset management
Rec. 16	In order to avoid any reputational risk for ITU, we recommend that: 1) in the case of Funds-in-Trust, clear and objective criteria to select the proposals should be established and the results should be communicated to bidders in a transparent way.	ITU agrees that clear and objective criteria shall be established for all procurement exercises regardless of funding source and that all procurement cases shall follow the procedures of the forthcoming Procurement Manual. The Manual outlines that the recommendation to award a contract shall be	**Update as of December 2019:** A new Procurement Manual has been adopted. This manual also covers procurement for projects. **Update as of June 2022:**	Closed

N.	Recommendation made by the Italian Corte dei conti	Comments received from Secretary-General at the date of the audit report	Status as reported by ITU Management	Status as assessed by the Italian Corte dei conti
		based on the clear and objective evaluation criteria as well as evaluation methodology, which shall be established prior to the issuance of the bid. This will mean that the recipient Government will not be able to recommend which vendor should be awarded. All awards above a CHF 50,000 threshold, shall be made public, and vendors are invited to request for a debriefing in regard to the assessment of their proposal. However, ITU does not agree to communicate its reasons for awarding a contract to a particular vendor, nor to allow vendors to have a right of recourse against the final decision of ITU.	The new procurement manual has now been published and used as reference by all ITU	
Rec. 22	In order to protect the staff, as well as the ITU's interests and premises, we recommend that HQ's Management should draft a standardised procedure and templates to monitor the various ROs' activities in relation to office management, taking into account the different needs of each geographical area.	ITU agrees with Recommendation n. 22. ITU will develop a standardized procedure and templates aimed to monitor the various RO's activities related to office management.	**Update as of December 2019:** Under review. **Update as of June 2022:** ITU is reviewing and studying the possibility of the centralisation of office management services within FMBPD. Under review	Ongoing

Annex 4 – Follow-up to our suggestions issued in the special report on Regional Offices

N.	Recommendation made by the Italian Corte dei conti	Comments received from Secretary-General at the date of the audit report	Status as reported by ITU Management	Status as assessed by the Italian Corte dei conti
Sugg. 1	Furthermore, <u>we suggest</u> that, in order to proactively implement a consistent and coherent system of Objectives and KPIs for ROs, Management should prepare a proposal, for the Council's attention, gathering the ITU's Management experience both at BDT and ROs level, with the aim of facilitating discussions and the approval of PP decisions on this issue.	ITU will further study Suggestion n. 1. Indeed, ITU would like to highlight that regional activities are implemented through combined efforts of the HQ and regions. Activities of HQ and regions are highly interlinked and inseparable. In addition, Objectives and KPI's covering both the HQ and regional activities already exist in the WTDC Action Plan and the rolling four-year Operational Plan. These are already covered by the annual reports of the SG to Council on "Strengthening the Regional Presence", and the annual performance reports and quarterly performance reports published by BDT to inform the membership regularly. Furthermore, PP Resolution 25 presents the high-level membership requirements for ITU regional activities. Adding another set of KPIs to Res 25 will duplicate with the existing set of KPIs.	**Update as of June 2022:** ITU membership have access to the Regional Presence dashboard that outlines the status of implementation of all recommendations related to regional presence. https://www.itu.int/en/council/ties/Pages/regional-presence-dashboard.aspx	Ongoing

N.	Recommendation made by the Italian Corte dei conti	Comments received from Secretary-General at the date of the audit report	Status as reported by ITU Management	Status as assessed by the Italian Corte dei conti
Sugg. 2	We suggest that a common IT tool should be used for monitoring Action Plans and that it should be made easily accessible from HQ.	ITU agrees with Suggestion n. 2. ITU would like to highlight that the internal system for the Operational Plan implementation (OPS) already exists and its upgrading is regularly and continuously addressed to accommodate the latest user needs.	**Update as of June 2022:** BDT undertook a bureau-wide effort (IT4BDT) aimed at revamping the BDT IT landscape. The project includes aligning the current IT solutions to the underpinning processes in force as well as ensure compliance with the recommendations provided by internal and external auditors. - IT4BDT project kicked off, with 4 teams assigned to give input into blueprint for systems modernization, with full deployment in 2022. The 4 workstreams include: 1) Replacement of OPS; 2) Migration of travel management to SAP; 3) Replacement of SSA recruitment system; and 4) Deployment of Expense Tracking under Statistical Order. - Dashboard use and dynamic data visualization are now operationalized in BDT and used increasingly for monitoring and reporting.	Closed
Sugg. 3	With regard to the warehouse, in order also to maintain control over the buying of stationery, we suggest assessing the cost-effectiveness of calculating the value at year end, and, if relevant for all the ROs, entering the values in the Financial Statements.	ITU will further study Suggestion n. 3. Stationaries are bought as need arises to replenish the stock on many occasions during the year. The balances left at the year-end are not significant value and considered as immaterial.	**Update as of June 2022:** Due to Covid there has been limited purchases of stationery in the past two years	Closed

Annex 5 – Follow-up to our recommendations issued in the special report: Addressing fraud at ITU: what action for more effective management?

N.	Recommendation made by the Italian Corte dei conti	Comments received from Secretary-General at the date of the audit report	Status as reported by ITU Management	Status as assessed by the Italian Corte dei conti
Rec. 1	(Avoiding leakage of information) In the light of the absence of any action by Management when the first inquiry was received by the official mailbox and also considering the possibility that the subsequent leakage of information might have given the fraudster an opportunity to hide some evidence , <u>we recommend</u> that Management should set out in detail all the temporal and procedural steps needed to prevent any information leaks and to ensure a prompt response to cases of suspected fraud, so as to avoid the possible concealment of evidence, money laundering, undue payments to suspicious suppliers, etc.	ITU takes note of Recommendation n.1, which has in the meantime been implemented by including these aspects in the promulgated ITU investigation guidelines.	**Update as of June 2022:** These aspects have already been included in the ITU Investigation Guidelines	Closed
Rec. 2	(Bringing the process forward) In line with Recommendation n. 1, <u>we recommend</u> that Management should adopt comprehensive and detailed procedures and/or checklists, that clearly state what steps are to be followed to bring the process forward and prohibit any contact with the suspected fraudster (such as telephone calls, emails), which could undermine the subsequent collection of evidence.	ITU takes note of Recommendation n.2, which has in the meantime been implemented by including this aspect in the promulgated ITU investigation guidelines.	**Update as of June 2022:** These aspects have already been included in the ITU Investigation Guidelines	Closed

N.	Recommendation made by the Italian Corte dei conti	Comments received from Secretary-General at the date of the audit report	Status as reported by ITU Management	Status as assessed by the Italian Corte dei conti
Rec. 3	(Avoiding further financial loss during the investigation phase) We acknowledge the fact that Management is in the process of adopting new Guidelines to minimize the fraud risk and establish an efficient and effective investigative process in accordance with the current ITU Staff Regulations and Rules framework. <u>We recommend</u> that the new procedures, in accordance with the ITU and UN legal framework, should also contain specific guidance indicating clearly to investigators, in the event of a confession or where there are sufficient elements to indicate a high probability of fraud, how to avoid further disbursements that might lead to significant financial losses for the Organization before the completion of the process.	ITU takes note of recommendation n.3 and will include this aspect into a revision of the ITU investigation guidelines.	**Update as of June 2022:** ITU will include this aspect into the revision of the Investigation Guidelines.	Ongoing
Rec. 4	(Better coordination between ITU Departments) Whilst understanding the confidentiality issue, this should be tempered by the fact that the official had admitted most of the allegations; <u>we recommend</u> therefore that in the framework of the new anti-fraud procedures, consideration be given to the need for better communication and coordination between all the Departments that could take action towards minimizing reputational risk and fraud damage and preventing further financial losses to the Organization.	ITU Management agrees with Recommendation n.4. Communication and coordination between the services involved in an investigation process will be integrated in the temporal and procedural framework when revising the ITU investigation guidelines.	**Update as of June 2022:** ITU will include this aspect into the revision of the Investigation Guidelines.	Ongoing

N.	Recommendation made by the Italian Corte dei conti	Comments received from Secretary-General at the date of the audit report	Status as reported by ITU Management	Status as assessed by the Italian Corte dei conti
Rec 5	(Defining fraud-related objectives and KPIs) We acknowledge the importance of having an internal ad-hoc Working Group on strengthening BDT internal controls, however <u>we recommend</u> that Management should also consider involving external independent Telecommunication experts who, in line with Recommendations n. 1 and 2 of our Special Report on the measurement of the performance of Regional Offices, could provide assistance in: i. defining specific and measurable Objectives for BDT HQ and ROs; ii. establishing key effective controls and robust KPIs covering the entire range of activities carried out locally, from technical assistance to financial management, duty travel and non-staff recruitment.	ITU takes note of recommendation n.5 and intends to implement the Recommendations n.1 and n.2 referred to above as part of the regional presence study to be completed by Council 2020 whilst ensuring that specific and measurable objectives and KPIs are established (see also document C19/25). BDT already included for 2019 for all the Chiefs of Departments/Division Heads and the Regional Directors/Heads of Area Offices, a new objective aiming to improve accountability, management oversight and internal controls. BDT staff were requested to add in their Performance Management and Development System (e-PMDS) specific activities and related KPIs to: improve oversight; monitor the level of implementation of projects/regional initiatives and Operational Plan actions; monitor impact to end beneficiaries; monitor efficient and effective use of all financial and human resources under the RO/Dept./Area office/Unit; ensure compliance with applicable rules and regulations; ensure the quality of the project, performance and risk management frameworks; ensure openness and transparency, availability of information for management, and adequacy of internal control systems".	**Update as of June 2022:** The Regional Presence Project is implementing a number of measures to improve measurement of performance, including: spelling out the mandate, role and expected contribution from regional presence; setting out the criteria steering regional presence; and regional monitoring and evaluation	Ongoing

N.	Recommendation made by the Italian Corte dei conti	Comments received from Secretary-General at the date of the audit report	Status as reported by ITU Management	Status as assessed by the Italian Corte dei conti
Rec. 6	(Prompt implementation of the recommendations made by the IA and EA) As stated in Recommendation n. 16 of our Financial Report on the accounts 2018 and in Recommendation n. 5 above, we recommend that Management should enhance the level of internal controls in Regional and Area Offices, in order to prevent other cases of fraud similar to the one detected and ensure prompt implementation to the outstanding recommendations made by us and by the Internal Auditor.	ITU takes note of recommendation n. 6 and will endeavour to ensure prompt implementation of the outstanding audit recommendations. In addition, the Secretariat will also ensure that the outcome of the regional presence study (as per Res 25. Rev) to be completed by Council 2020 includes a comprehensive risk assessment and enhanced controls framework.	**Update as of June 2022:** The Internal Controls implemented apply to all of BDT, including the Regional Offices. BDT will ensure that the Regional Directors are aware of and comply with all requirements that are applicable at a regional or area office level.	Ongoing
Rec. 7	(Risk Assessment and fraud deterrence) In connection with Recommendation n. 6 above, we recommend: (i) starting an internal risk assessment on the likelihood of similar fraud cases at regional level, especially with regard to Procurement, Duty travel, Cash Management and HR, including the relationship between Regional Offices and HQ and, in parallel, (ii) increasing the level and effectiveness of internal sanctions, as also requested by International Standards.	ITU takes note of recommendation n. 7 and further to the comment above, ITU will ensure that the comprehensive risk assessment will include the areas mentioned in this recommendation.	**Update as of June 2022:** Implemented Internal controls include procurement procedures for orders less than CHF 20,000, Procurement Manual and Guidelines (SO 19/12 replaces Basic Rules for procurement for BDT projects), introduction of monitoring of cumulative Purchase Order amounts per vendor, Asset Management for Projects (SO 21/05), BDT Annual Travel Plan, strengthened travel procedures, Bank Account/Cash Management in Regional/Area Offices (including Petty Cash Guidelines) and competitive procedures for consultant's selection (Recruitment Guidelines published March 2022).	Ongoing

N.	Recommendation made by the Italian Corte dei conti	Comments received from Secretary-General at the date of the audit report	Status as reported by ITU Management	Status as assessed by the Italian Corte dei conti
Rec. 8	(Seizing the staff member's working papers for more effective investigation) Non-seizure of all the documents in the staff member's office and unauthorized access are both elements that affected the investigative process and reduced the effectiveness of the investigation. <u>We</u> therefore <u>recommend</u> introducing specific provisions in the upcoming anti-fraud investigation procedure that would also include the seizure of all the working documents of the staff member involved in the fraud and prevent him/her from having access to ITU's premises.	ITU takes note of recommendation n.8, which has in the meantime been implemented by including these aspects in the promulgated investigation guidelines.	**Update as of June 2022:** These aspects have already been included in the Investigation Guidelines.	Closed
Rec. 9	(Further investigation needed) Our field audit work revealed that there is a number of suspicious transactions that were not included in the transactions investigated by IAU. <u>We</u> therefore <u>recommend</u> Management to investigate further whether other expenditure was unduly paid.	ITU takes note of recommendation n.9. All transactions related to the fraudster were included in the investigation and other expenditure unduly paid may be identified further to the inspection work on regional and area offices' activities that Internal Audit is conducting as per its 2019 work plan.	**Update as of June 2022:** The Investigation Unit is in the process of finalizing all investigations related to the forensic audit as per Council Decision 613 as well as reviewing the recommendations from the Further Investigation Report. Individual responsibilities, if any, will be examined and handled according to ITU Regulations and Rules. Similarly, the individual responsibilities and any potential lost funds are in the process of being reviewed and should be completed before end 2022	Ongoing

N.	Recommendation made by the Italian Corte dei conti	Comments received from Secretary-General at the date of the audit report	Status as reported by ITU Management	Status as assessed by the Italian Corte dei conti
Rec. 10	(Ascertaining lack of diligent supervision) In order to improve the framework for fraud prevention and deterrence, we recommend that Management further investigate, without delay, the reasons why hierarchical controls have been so ineffective in detecting a fraud that was perpetrated along several years. In particular, Management should assess to what extent the official's superiors' behaviour was appropriate in terms of the standards of diligence and managerial skills that can be expected from officials in their position and investigate if other people are involved in fraudulent practices.	ITU takes note of recommendation n.10 and has initiated an investigative process to address these issues.	**Update as of June 2022:** The Investigation Unit is in the process of finalizing all investigations related to the forensic audit as per Council Decision 613 as well as reviewing the recommendations from the Further Investigation Report. Individual responsibilities, if any, will be examined and handled according to ITU Regulations and Rules. Similarly, the individual responsibilities and any potential lost funds are in the process of being reviewed and should be completed before end 2022.	Ongoing
Rec. 11	(Independent Experts for in-depth investigation) In connection with Recommendation n.10 above, we recommend that Management urgently consider the option of tasking a specialised "expert in investigation", independent of ITU Management, to carry out a more in-depth analysis. It might be appropriate, for instance, to contact the UN Office of Internal Oversight Services (OIOS) in order to understand whether they can be directly involved or help ITU find the most suitable investigator.	ITU takes note of recommendation n.11 and with reference to the above recommendation as well as in compliance with the ITU investigation guidelines, the most suitable investigative body will be identified for carrying out the additional work.	**Update as of June 2022:** These aspects have already been included in the ITU Investigation Guidelines. ITU Investigation Unit is looking into concluding MoUs with Geneva and field based UN agencies for mutual assistance and cooperation.	Ongoing
Rec. 12	(Establishing contacts with MS) In our opinion, a prompt involvement of third parties, such as donors and/or the relevant Member States, which might have had the legal tools to reclaim the unduly paid amounts, could have limited the financial loss. We therefore recommend that, in its revision of the anti-fraud policy, Management should consider the possibility of establishing immediate contact with the Member State and/or donor concerned, in order to minimize financial losses and create a deterrent towards further risks of fraud in the future.	ITU takes note of recommendation n.12. As of 1 April 2019, all newly signed and cooperation agreements and project documents contain a clause specifying that Parties shall consult with each other in respect of any matter that may arise from or in connection with fraudulent and corrupt practices and conflicts of interest with respect to the project. This would allow for immediate contact with the Member State and/or donor provided that the confidentiality and due process of the matter and individuals are respected.	**Update as of June 2022:** This has been implemented.	Closed

N.	Recommendation made by the Italian Corte dei conti	Comments received from Secretary-General at the date of the audit report	Status as reported by ITU Management	Status as assessed by the Italian Corte dei conti
Rec. 13	We recommend adopting a consistent policy on the use of internal experts, at least within the same Region, with ex-post assessment of the work performed internally.	ITU takes note of recommendation n. 13 and HRMD together with the BDT has already started to work on a competitive procedure for selection of consultants as well as procedures to manage and control the use of consultants. To strengthen expenditure control, the final payment to consultants will in future not be processed until the results are certified by the proper level in ITU.	**Update as of June 2022:** Comprehensive recruitment guidelines that cover the monitor and control of recruitment of Experts/Consultants have been approved by CoCo and published on the Intranet.	Ongoing
Rec. 14	We recommend introducing a preliminary screening of the Roster of experts, with a reduced number of key people, and periodic reappraisals. Consideration should also be given to the assessment of the quality of the work performed, which in no case should be tasked to the same people involved in the selection process.	ITU takes note of the recommendation n.14. Taking into consideration the recommendations established by the JIU in its ITU Management review as well as the recommendations made by the Internal Audit Unit, HRMD has been working on undertaking a "cleaning" exercise of the existing roster, which will include checking academic credentials and references of all candidates. HRMD is in contact with the UN regarding use of the newly created UN References check Centre in Bonn.	**Update as of June 2022:** Comprehensive recruitment guidelines that cover the monitor and control of recruitment of Experts/Consultants have been approved by CoCo and published on the Intranet.	Ongoing
Rec. 15	After a period, people should be reallocated to another Office within the same area, or to different geographic areas within the same Office. We recommend a periodic rotation of Project Managers. In order to prevent conflicts of interest, ITU might also consider not allowing Project Managers to have the same nationality as the beneficiary country (which may be the one where they used to work before joining ITU).	ITU takes note of recommendation 15, and confirms that a new policy on mobility and rotation is under development.	**Update as of June 2022:** HRMD is in the process of implementing this aspect by establishing a matrix of functions where division of responsibilities over each function is clarified and to redistribute functions to ensure that controls are properly separated.	Ongoing

N.	Recommendation made by the Italian Corte dei conti	Comments received from Secretary-General at the date of the audit report	Status as reported by ITU Management	Status as assessed by the Italian Corte dei conti
Rec. 16	As part of a more general reform of their function, we recommend redesigning the role of Regional Directors as supervisors of the implementation of projects and initiatives and as managers of financial resources at the local level.	ITU takes note of recommendation n.16 and HRMD together with the BDT has already started to 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. This will specifically also include the roles and accountabilities of the regional directors. As mentioned under Recommendation n.5, BDT already included for 2019 for all the Chiefs of Departments/Division Heads and the Regional Directors/Heads of Area Offices, a new objective aiming to improve accountability, management oversight and internal controls. BDT staff were requested to add in their Performance Management and Development System (e-PMDS) specific activities and related KPIs to: improve oversight; monitor the level of implementation of projects/regional initiatives and Operational Plan actions; monitor impact to end beneficiaries; monitor efficient and effective use of all financial and human resources under the RO/Dept./Area office/Unit; ensure compliance with applicable rules and regulations; ensure the quality of the project, performance and risk management frameworks; ensure openness and transparency, availability of information for management, and adequacy of internal control systems. Finally, these elements may be considered as part of the review of the regional presence (Res 25, rev)	**Update as of June 2022:** Delegation of increased responsibility for management of financial resources at the local level will be completed by the end of 2022. The recommendation regarding Regional Directors as supervisors of implementation of projects and initiatives is not in line with BDT's current matrix management structure of BDT projects and initiatives and would require a complete redesign of the BDT RBM implementation. As such, BDT management does not consider this appropriate or best fit, for BDT.	Ongoing