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| **Council Working Group on Financial and Human Resources****Fifteenth meeting – 11 - 12 January 2022** |  |
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|  | **Document CWG-FHR-15/14** |
| **16 December 2021** |
| **English only** |
| Report by the Secretary-General |
| REPORT OF THE WORKING GROUP ON INTERNAL CONTROLS |

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| SummaryA fraud perpetrated by a staff member in an ITU Regional Office was investigated in 2018 by ITU Internal Audit Unit (IAU). ITU set up a working group, chaired by BDT Director, to strengthen control mechanisms across ITU in May 2019. The rationale for this working group is diverse: the fraud case in a regional office, the follow-up work undertaken by the Internal Audit Unit and the External Auditor, the need to coordinate work across different ITU services and units and the inspection work in the Regional/Area Office activities. Action requiredThe Council is invited to **note** this report.\_\_\_\_\_\_\_\_\_\_\_\_References*Council documents* [*C18/22 (Add.1)*](https://www.itu.int/md/S18-CL-C-0022/en)*,* [*C18/40*](https://www.itu.int/md/S18-CL-C-0040/en)*,* [*C19/44*](https://www.itu.int/md/S19-CL-C-0044/en)*,* [*C21/63*](https://www.itu.int/md/S21-CL-C-0063/en)*,* [*CWG-FHR-11/INF-5*](https://www.itu.int/dms_ties/itu-s/md/20/cwgfhr11/inf/S20-CWGFHR11-INF-0005%21%21PDF-E.pdf) |

# Background

1.1 Further to a fraud case uncovered and investigated in 2018, and ensuing identified control weaknesses, ITU set up a working group, chaired by BDT Director, to strengthen control mechanisms across ITU in May 2019. The rationale for this working group is diverse, including the fraud case in a regional office, the follow-up work undertaken by the Internal Audit Unit and the External Auditor, the need to coordinate work across different ITU services and units and the inspection work in the Regional/Area Office activities. The internal working group to strengthen internal controls has undertaken a series of actions that have earlier already been reported to Council and to the Council Working Group on Financial and Human Resources (CWG-FHR). The main aim of the working group has been to:

* Prepare an Action Plan to ensure that any deficiencies and associated risks are mitigated;
* Accelerate the implementation of all related recommendations of the Internal Audit, External Audit and the Independent Management Advisory Committee (IMAC);
* Promote ethical leadership and a ‘zero tolerance for fraud’ approach throughout the ITU HQ and the Regional and Area Offices.

1.2 The working group is chaired by the BDT Director and composed further of the (i) Deputy to the Director of the BDT, (ii) Financial controller of the BDT, (iii) Internal Audit Unit, (iv) Procurement Division, (v) Financial Resources Management Department, (vi) Human Resources Management Department, (vii) Legal Affairs Unit, (viii) Ethics Officer, (ix) the Project Support Division and (x) the Information Services Department.

1.3 The working group focused its work on three axes:

* Measures in the area of governance, ethics, and fraud detection;
* Measures to strengthen financial, procurement, and administrative procedures; and
* BDT specific measures to strengthen internal control procedures.

*Figure 1: Key updates of Working Group on Internal Controls as of December 2021*



# Systems and measures established in the course of 2019:

* A1. Promulgation of a policy against fraud, corruption, and other proscribed practices;
* A2. Promulgation of ITU investigation guidelines;
* A3. New procurement procedures for orders less than 20,000 CHF;
* A4. Including systematically a clause with respect to due process (in case of fraud) in project agreements;
* A5. Internal Audit conducted an inspection of Regional/Area Office activities (projects, regional initiatives, actions).
* A6. Effective management of bank accounts and cash in ITU’s Regional/Area Offices;
* A7. The Basic rules for procurement for BDT Projects were abolished and replaced by the regular Procurement Manual and Guidelines;
* A8. Monitoring of cumulative Purchase Order amounts per vendor was introduced;
* A9. BDT Annual Travel Plan;
* A10. Guidelines on use of representation allowances by Regional Directors; and
* A11. Control of consultants’ work prior to final payment of fee.

# Systems and measures established in the course of 2020:

* A12. Revised fellowships policy presented to Council 2019 and promulgated by SG;
* A14. Asset management for projects;
* A15. Strengthened travel procedures;
* A16. Promulgation of the Policy and Protection for Reporting Misconduct (Whistleblowing);
* A17. Promulgation of the Policy on Declaration of Interests;
* A18. Promulgation of strengthened sponsorship policies;
* A19. Strengthen the oversight at the project level – creation of a BDT Projects Board, mandatory project governance and a new ITU Project Management Manual; and
* A20. Promulgation of a Staff Mobility Policy.

# Systems and measures established in the course of 2021

4.1 *Ethics training.* To raise awareness on ethics, and to promote ethical leadership and transparency, a series of ethics trainings was launched, beginning in April 2021. The trainings focus on the new policy on whistle-blower protection and the new policy on Declarations of Interests, both issued in 2020. Furthermore, a training on Ethical Decision Making for Leaders was held in September. Approximately 26% of staff attended these trainings.

4.2 *Declaration of conflicts of interest.* In March 2021 ITU launched an online Declaration of Interests and Compliance Statement exercise, which enhances accountability by all staff as they must confirm that they have read and understand ITU ethics-related policies and make declarations regarding their compliance with those policies. As part of the new process all eligible ITU staff are required to complete a Declaration of Interest and Compliance Statement, which is submitted and analysed by the Ethics Office (A13).

4.3 *Strengthening Project Management across ITU.* As already indicated in document C21/63 (paragraph 6.6 to 6.8), at the project management and oversight level in BDT, the following reinforcement measures had been implemented since 2020:

* *Projects Board*. Established by the BDT Director in November 2020, the BDT Projects Board aims at assessing and evaluating project proposals’ viability and relevance before they evolve into projects, review, and approve projects before they are agreed on with partners, based on the formal project evaluation process participate in the face-to-face quarterly project assessment meetings with related project management teams and provide oversight on project implementation and closure where issues arise. In 2021 the Board held 11 meeting, with a rate of 85% of the decisions being implemented.
* *Project governance* has also been reinforced at the project level, with the establishment of RACI charts, project sponsors and, when applicable, steering committees for all ITU projects. This reinforced project governance is a key pillar of the new ITU Project Management Manual
* *Project management practices* have been reinforced across all ITU projects, with the adoption and implementation of the new ITU Project Management Manual. Launched in July 2020, the principles established through the Manual have a mandatory nature for all ITU project managers. The implementation of the new manual has been complemented with an ambitious certification programme organized benefitting close to 90 ITU staff members. The programme has been reinforced with the establishment in 2021 of a new “Community of Practice of ITU Project Managers” which counts with the participation of over 100 ITU staff from different services across the Union.
* *Project monitoring* has been reinforced across the whole project portfolio. All ITU projects are monitored on a quarterly basis by the Projects Support Division. The result of this work is made available to all ITU management and project managers via the Quarterly Assessment report, an interactive report that has been completely redesigned to provide an early assessment on the status of implementation of each project. The report allows to identify projects that may be deviating from the original workplan, and which may require special support to be brought back on track.

# ITU Compliance Dashboard

5.1 BDT designed an Audit/Oversight Recommendations Tracker in June 2020, which was used as a tool to consolidate and follow up on recommendations from various reports. In December 2020 ITU management began the process of expanding this tool ITU-wide to become the corporate compliance dashboard. This tool has been used across 2021, enabling ITU management (internal audit, external audit, Joint Inspection Unit, and IMAC) to have a clear view of the recommendations in progress, the risks related to these recommendations, real-time information concerning the progress made to implement the recommendations or to mitigate the residual risk, and trigger notifications and reminders where necessary.

5.2 The ITU Compliance Dashboard complements the ITU Risk Register, enabling the assessment of all risks related to the recommendations that are still under implementation, as well as assessment of the residual risks after measures have been implemented. Further information on the ITU Compliance Dashboard is outlined in C21/INF/11.

# Weighting of the mitigation measures

A weighting exercise of the mitigation measures monitored by the working group and implemented by various lead Departments since 2019, with activities implemented in 2020 and 2021, was conducted by the Group. In order to provide an assessment of these actions, a matrix was developed with an associated control self-assessment by the respective lead Departments to assess for each action (1) the main inherent risk, (2) the initial risk severity and likelihood, (3) the additional mitigation measures implemented by lead Departments, (4) the effectiveness of the mitigation measure, (5) the residual risk score and category, and the final weighting of the impact of the mitigation measure.

For those actions implemented to date, 11 represent a *substantial overall impact* on the enhanced controls, whilst seven have a *moderate overall impact*. Five actions remain pending to be completed or implemented and have thus *minimal* or *no overall impact* so far (see paragraph below).

*Figure 2: Initial risk overall severity and weighting of overall impact of the mitigation measure*



# Systems and measures under implementation

7.1 A new e-recruitment system and competitive procedures for selection of consultants is under implementation (A19). The RFP to procure a new electronic Recruitment Management System (RMS) was launched. A vendor (Arago) was selected to implement the solution (SAP SuccessFactors), and the system is on track to be deployed by the end of December 2021. Pilot tests were conducted for advertising for consultants and competitive procedures for selection of consultants. In addition to this, ITU has implemented new Recruitment and Selection Guidelines. These Guidelines apply to the advertisement and selection processes for SSAs, and have been developed to standardize the recruitment processes across the organization. The guidelines are to be followed by Hiring Managers effective January 2022 in connection with the launching of the RMS. The guidelines will be monitored by HRMD.

7.2 Procedures to manage and control the use of consultants (A20) have been introduced, as well as measures to strengthen the monitoring of the quality of work delivered by the consultant and their compliance with the expected contract deliverables. BDT has completed a comprehensive clean-up of its Expert Roster which has removed any consultant that BDT has not used in the last 24 months, any blacklisted consultants and any consultants that did not receive positive evaluations in their last BDT engagement (approximately 340 remain). The new RMS will allow the establishment of expert rosters with a comprehensive screening process and all remaining experts (340) will need to register in the new platform. BDT is revising the existing hiring system to include delegation of authority for recruitment under CHF 15,000 to Regional Directors, triggers for recruitments exceeding CHF 15,000, or more than four engagements in any one year to require Director or Deputy to the Director approval and previous rating/evaluation checks.

7.3 The IT4BDT Project (A22) was formally launched in 2020, comprising 4 workstreams for integration of key functions into the ITU’s organizational administrative software applications (SAP):

1. Operational Planning – a vendor was contracted in March 2021 to implement the replacement of BDT’s Operational Planning System (OPS) with the Enterprise Portfolio and Project Management (ePPM) for full integration with SAP; implementation began in May and the system was launched in December 2021 in time for the next biennial budget period (2022-2023).
2. Travel Procedures – Migration of BDT’s travel management system to SAP for seamless integration with other modules such as Finance, HR and ePPM
3. Expert Recruitment – a vendor has been contracted to implement the solution in SAP ePPM and SAP HR. The SAP SuccessFactors RMS started implementation in May and the system will be operational by the end of December 2021.
4. Expense Tracking – implementation of more robust country-level expense tracking to improve real-time monitoring and reporting capacity (completed in February 2021)

An IT4BDT workplan for migration of all applications and processes has been agreed with a defined budget, 500,000 CHF of which will be covered from Council-allocated funds while the remaining expenses (approximately 160,000 CHF) will be covered through internal ITU resources.

7.4The full review of the ITU Accountability Framework has been a project set up to further strengthen the accountability mechanisms within the organization. Being one of the measures identified by the Working Group on Internal Controls responding to a high-risk issue, the review of the framework considers the recommendations from the External Auditor Report (2019 Financial Statements) and the PWC Report on Regional Presence.

The introduction of the new framework will contribute to the overall improvements undertaken to strengthen internal controls, as earlier reported to Council and to the Council Working Group on Financial and Human Resources in September 2021 ([CWG-FHR-14/2](https://www.itu.int/md/S21-CWGFHR14-C-0002/en)).

The new framework has been developed to be aligned with the ongoing management initiatives that all contribute to better accountability:

* The Action Plan of the Working Group on Internal Controls;
* The improvements in the Results-Based Management framework and the development of the delegation of authority framework;
* The implementation of the Risk Management Action Plan;
* The development of the ITU Compliance Dashboard; and
* Other related projects, including the Leadership Culture Assessment and the Culture Diagnosis and Skills Gap Project.

In addition, consultations were held with internal experts, other UN agencies and IMAC to test the framework and get advice on good practice from other organizations. Those consultations will continue on an ongoing basis to make the framework a living document. In particular, the question of how to further improve monitoring and evaluation of the implementation of the framework is currently under consideration.

The following five components which had been selected based on best practice research, will be further investigated on how to be included in the framework in its next iteration:

* **Binding Leadership Guidelines** (BLG), as a set of rules affecting the personal conduct, the responsibility and accountability for managers;
* **Published Best Work Practices,** as a way to recognize and communicate the most effective way of delivering ITU services;
* **Organizational Health Index** as an indicator of the degree to which strategic goals have been achieved as well as a tool to keep the long-term perspective on performance;
* **Leadership Circles** as a group of managers from the three sectors and the General Secretariat who are exchanging their approaches to achieve the objectives; and
* **Ombuds** as a solution that goes beyond the current “volunteer mediation” to help staff resolve their workplace concerns informally through facilitation, shuttle diplomacy, conflict coaching and mediation.

Following the guidance to be received by the CWG-FHR in January 2022, the document will be submitted to Council for approval and will be translated into a Service Order, as an administrative and legal basis, to be issued by the ITU Secretary-General.

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