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| **Agenda item: ADM 2** | **Document C23/44-E** |
| **9 June 2023** |
| **Original: English** |
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| Report by the Secretary-General | |
| REPORT OF THE INTERNAL AUDITOR ON INTERNAL AUDIT ACTIVITIES | |
| **Purpose**  This report covers internal audit activities for the period from February 2022 to April 2023.  **Action required by the Council**  The ITU Council is invited **to take note** of the report.  **Relevant link(s) with the Strategic Plan**  Excellence in human resources and organizational innovation.  **Financial implications**  None.  \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_  **References**  [*ITU Financial Regulations and Financial Rules (2018), Article 29*](https://www.itu.int/en/council/Documents/Financial-Regulations/S-GEN-REG_RGTFIN-2018-PDF-E.pdf) | |

# Introduction

1. This report is transmitted to the ITU Council and conforms with Article 29 of the ITU Financial Regulations and Financial Rules (2018). In accordance with the ITU Internal Audit charter,[[1]](#footnote-1) this report is submitted to the Secretary-General and presented to the Council for consideration. The current report covers activities for the period from February 2022 to April 2023.
2. For the reporting period, ITU Internal Audit (IA) comprised four staff positions in the Professional category: a Head (P5), a Senior Auditor (P4), an Internal Auditor (P3), and a Junior Internal Auditor (P2). In early 2022, the vacant fixed-term P3 post was published for recruitment and a temporary P3 staff member joined IA, pending the selection of the incumbent, who joined on 1 November 2022.
3. IA confirms that it conducts its audits in accordance with the International Standards for the Professional Practice of Internal Auditing and the Code of Ethics established by the Institute of Internal Auditors (IIA),[[2]](#footnote-2) as well as with the provisions of the ITU Internal Audit charter. In addition, IA confirms that, for the reporting period, its staff had no managerial authority over, nor responsibility for, any of the activities audited and did not perform accounting or operational functions within ITU.

# Orientation and scope of internal audit activities

1. In line with the Internal Audit charter, the 2022 annual audit plan was reviewed by the Independent Management Advisory Committee (IMAC) at its 31st meeting and was approved by the Secretary-General on 1 April 2022.
2. IA systematically shares copies of internal audit reports with the ITU External Auditor and with IMAC. In accordance with § 5 of Article 29 of the Financial Regulations and Financial Rules, final internal audit reports can be made available to Member States or their designated representatives. A facilitated mechanism for accessing internal audit reports has been in place since October 2015. During the reporting period, no requests for accessing internal audit reports were received via the online mechanism.

# Objectives and conclusions of the assurance engagements

1. The objectives of the assurance engagements are to assess: (i) governance aspects of the Union’s operations audited; (ii) risk-management practices; and (iii) effectiveness of (internal) controls. The priority of the recommendations resulting from the audit work is classified according to the impact and likelihood of the deficiency (high, medium, low).
2. The implementation of recommended actions is followed up on by IA as and when required. Since early 2021, a compliance dashboard is available Union-wide for that purpose and facilitates the tracking of implementation of recommendations for managers concerned, yet does not relieve IA’s responsibility to follow up on its earlier made recommendations, as per IIA Standard 2500.[[3]](#footnote-3) A separate information document ([C23/INF/5](https://www.itu.int/md/S23-CL-INF-0005/en)) is submitted to the 2023 session of the Council to reflect follow-up on internal audit recommendations and on forensic audit recommendations (see also Document [CWG-FHR-15/3](https://www.itu.int/md/S22-CWGFHR15-C-0003/en) from 2021, on summary of the status of PwC recommendations on the ITU forensic audit).

*The following assurance engagements have been conducted:*

***Environmental Management System***

1. IA conducted an audit of the ITU Environmental Management System (EMS), particularly but not solely on the progress of proposed actions covering the period from January 2020 to December 2021. The audit has, however, not reviewed the effectiveness of the implemented actions towards environmental sustainability.
2. Although IA recognized that EMS and the EMS action plan towards achieving ITU’s environmental sustainability goals are relatively new initiatives, the overall assessment after the audit was that governance (roles and responsibilities, policies and regulations) and control activities (action plan oversight and monitoring mechanism) need some improvement. Further, its information and communication (progress of implementation) and risk assessment (achievement of action plan) were found to be insufficient. The monitoring activities (coordination with other related initiatives) and information and communication with respect to reporting on progress were, however, found to be adequate.
3. The audit report was shared and discussed with the EMS coordinator and relevant ITU officials and includes comments on the findings and recommendations. Management agreed to the recommendations and indicated a commitment to implementing them promptly.

***New headquarters project***

1. IA conducted an audit of the new ITU headquarters project (HQP), which covered project activities from September 2019 to December 2021.
2. IA assessed *information and communication* pertaining to HQP to be adequate and the *monitoring activities* pertaining to HQP to be effective. Furthermore, it was concluded that the HQP *risk assessment*, its activities and outputs’ *consideration of Sustainable Development Goals,* of *gender equality and mainstreaming* and of *accessibility* were reasonably adequate. However, IA assessed the HQP *governance and control environment* to be partially adequate and the *controls* pertaining to the HQP to be partially effective. Also, the *fraud and corruption risks* assessment and monitoring activities pertaining to HQP were found to be only partially adequate.
3. The audit report was shared and discussed with the General Secretariat officials concerned . The report includes their comments on the findings and recommendations. On 20 June 2022, IA presented the audit findings and conclusions to the Member States Advisory Group, which is overseeing HQP on behalf of the ITU Member States.

***Working Group on internal controls***

1. IA conducted an audit of the actions of the Working Group on internal controls. The audit was conducted using the COSO Internal Control-Integrated Framework (ICIF) as the basis for the assessment of internal controls (governance, risk assessment, information and communication, internal controls, and monitoring activities). The audit primarily covered actions reported as completed in 2019-2021, as identified in Council Document C22/20. IA also briefly reviewed the progress on actions being implemented during 2022, noted the status of advancement and assessed (based on the advancement reported) to what extent the risks initially identified would be sufficiently mitigated once the action has been completed/is complete.
2. IA assessed *governance* and *risk assessment* to be adequate in 16 out of 20 actions, with four actions being partially adequate for g*overnance* and two partially adequate for *risk assessment*. *Information and Communication* was assessed as being fully adequate, except for one action. Out of the 20 actions, 13 were assessed as fully/largely effective with respect to *monitoring activities*, while two were found to be partially effective. Finally, 15 out of 20 actions have fully/largely effective *internal controls*, with those being assessed as partially effective for one action and fully ineffective for two. The latter relate to Action 15 (strengthened travel procedures) and Action 18 (strengthened sponsorship policies), for which IA had issued two high-priority recommendations.
3. The audit report has been shared and discussed with the General Secretariat officials concerned, as well as with other relevant units of the Bureaux. Where comments on/concurrence with the findings and recommendations have been submitted by the managers concerned, these have been included in the audit report.

***Donor-funded mHealth project – final financial report***

1. In 2017, ITU signed a grant agreement with the European Commission for the latter to fund a mobile-health project, mHealth, with ITU being identified as the coordinator/beneficiary and the World Health Organization as an additional beneficiary. As per the provisions of the grant agreement, the final financial report needed to include a *certificate on the financial statements*. BDT requested that IA carry out this undertaking, which included (i) producing an independent report of factual findings and (ii) issuing a *certificate on the financial statements*.
2. Upon completion of the audit, IA concluded that there were inconsistencies in the administrative and financial reporting aspects of the project. It was recommended that reviews and checks of all financial information, prior to such information being submitted to donors, needed to be conducted. In agreement with the Financial Resources Management Department (FRMD), IA sent a memorandum to the three Bureaux and all departments of the General Secretariat to inform them of the obligation to submit to FRMD for verification and certification any periodic/interim and final financial summaries, statements and reports to be sent to donor(s).

***Regional and Area Offices for the Africa region***

1. IA has conducted an audit of the Regional and Area Offices for the Africa region. The audit was conducted using the COSO ICIF as the basis for the assessment of internal controls (governance, risk assessment, information and communication, internal controls, and monitoring activities). The audit work has been completed and the draft audit report shared with managers concerned for their observations. The final audit report, including recommendations and formal management comments, is expected to be issued before the end of the second quarter of 2023.

# Special assignments

1. At the request of the previous ITU External Auditor and with the agreement of the Secretary-General, the IA Senior Auditor conducted a specific and detailed quantification of the financial loss suffered by ITU from the fraud case reported and investigated in 2018. In relation to that same case and at the Secretary-General’s request, the Senior Auditor provided all requested detailed documentary evidence to the Member State authorities in charge of the case at the national level.

# Follow-up on internal audit recommendations

1. Throughout the reporting period, IA continued to follow up on recommendations made in previous audit reports. IA also regularly discussed these follow-up outcomes at its meeting with IMAC. As mentioned above, a separate information document has been submitted to the 2023 session of the Council to reflect the follow-up on internal audit recommendations and on forensic-audit actions. Further progress was noted on the implementation of internal audit recommendations as at 31 March 2023, as shown below:

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| **Year** | **2011** | **2012** | **2013** | **2014** | **2015** | **2016** | **2017** | **2018** | **2019** | **2020** | **2021** | **2022** | **Total** |
| Number of audit reports/notes | 2 | 0 | 4 | 4 | 7 | 4 | 6 | 4 | 2 | 2 | 2 | 3 | **40** |
| Rec. – Total | **17** |  | **113** | **55** | **34** | **15** | **46** | **26** | **15** | **9** | **19** | **38** | **387** |
| In Progress | 0 |  | 0 | 0 | 0 | 2 | 7 | 3 | 0 | 1 | 12 | 15 | **40** |
| Delayed | 0 |  | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 3 | 5 | **8** |
| Closed | 17 |  | 113 | 55 | 34 | 13 | 39 | 23 | 15 | 8 | 4 | 18 | **339** |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| % of rec. In Progress | 0% |  | 0% | 0% | 0% | 13% | 15% | 12% | 0% | 11% | 63% | 39% | **10%** |
| % of rec. Delayed | 0% |  | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 16% | 13% | **2%** |
| % of rec. Closed | 100% |  | 100% | 100% | 100% | 87% | 85% | 88% | 100% | 89% | 21% | 47% | **88%** |

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1. Service Order 13/09, promulgated by the Secretary-General on 27 June 2013 [↑](#footnote-ref-1)
2. Institute of Internal Auditors, [www.theiia.org](http://www.theiia.org) [↑](#footnote-ref-2)
3. 2500. A1 – The chief audit executive must establish a follow-up process to monitor and ensure that management actions have been effectively implemented or that senior management has accepted the risk of not taking action. [↑](#footnote-ref-3)