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Report by the Secretary-General

EXTERNAL AUDITOR'S REPORT ON ITU'S 2023 FINANCIAL STATEMENT AND 2023 FINANCIAL OPERATING REPORT

Purpose

The ITU Council, at its session in June (11-21 June 2024), was requested to:

- subject to the receipt of the opinion of the External Auditor in autumn 2024, approve by correspondence the financial statements for 2023, as contained in Document C24/43;
- take note of the External Auditor's report on the 2023 unaudited financial statements, as contained in Document C24/42.

On 22 October 2024, the ITU Secretary-General received a letter from the External Auditor informing her that the 2023 audit is now complete.

This document provides the final External Auditor' overall audit of ITU 's 2023 financial statements, including the letter from the External Auditor, the External Auditor's report on ITU's 2023 financial Statements, and the Financial operating report for the financial year 2023 that covers the audited accounts for the financial year 2023 of the budget of the Union and extra-budgetary funds.

Action required by the Council by correspondence

The Council is invited:

- to note the External Auditor's report on the accounts for 2023 contained in Annex 1
- to note the External Auditor's opinion and **approve** the financial operating report on the audited accounts contained in Annex 2,
- and **to adopt** the draft resolution contained in Annex 3.

Once examined and approved by the Council, the financial operating report will be communicated to the Member States and Sector Members.

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References

Convention: No. 101; Financial Regulations of the Union: Article 30; Council documents C24/42, C24/43

National Audit Office

The UK's independent public spending watchdog

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Date 22 October 2024

Doreen Bogden-Martin
Secretary-General
International Telecommunication Union
Place des Nations
1211 Geneva 20 Switzerland

Dear Secretary-General

ITU: EXTERNAL AUDITOR'S REPORT ON THE 2023 FINANCIAL STATEMENTS

As you are aware, the External Auditor, the UK Comptroller and Auditor General, signed his independent audit report to the International Telecommunication Union on the 2023 ITU financial statements on 1 October 2024. His opinion was unmodified with an emphasis of matter related to the impairment of assets under construction arising after the reporting date. While not affecting the overall audit opinion, this is an important issue for stakeholders to be aware of.

In this report, the External Auditor has explicitly confirmed that he has no further issues to report to Council since his June 2024 report. This provides assurance that no new significant issues were identified in finalising the financial statements audit. In making this statement, he has taken account of the reporting requirements in the Financial Rules and Regulations, pertaining to the mandate of the External Auditor.

Related to the overall audit of the 2023 financial statements, please find enclosed with this letter:

- the external auditor's long-form audit report on the financial statements 2023 issued and as we presented to Council in June 2024;
- the 2023 financial report and audited financial statements signed by you on 27 September 2024; and
- the external auditor's report (audit opinions) on the 2023 financial statements issued on 1 October 2024 in accordance with International Standards on Auditing.

The 2023 audit is now complete. You may be aware that the audit team has commenced its planning for the 2024 audit cycle, and we intend to present our audit planning report to the IMAC on 30 October. We will separately arrange with your office a meeting with the Comptroller and Auditor General as previously agreed.

Yours sincerely

DPBrewitt

Damian Brewitt
Director - International

ANNEX 1

External Auditor's report on ITU's 2023 financial Statements

National Audit Office

Report to Council

May 2024

International Telecommunication Union

External Auditor's report on ITU's 2023 financial statements

The aim of the audit is to provide independent assurance to members; to add value to the ITU's financial management and governance; and to support your objectives through the external audit process.

The Comptroller and Auditor General is the head of the National Audit Office (NAO), the United Kingdom's Supreme Audit Institution. The Comptroller and Auditor General and the NAO are independent of the United Kingdom Government and ensure the proper and efficient spending of public funds and accountability to the United Kingdom's Parliament. The NAO provides external audit services to a number of international organizations, working independently of its role as the Supreme Audit Institution of the United Kingdom.

Contents

Summary

Background

1 The International Telecommunication Union (ITU) is the United Nations Specialized Agency for information and communication technologies. It was founded in 1865 to facilitate international connectivity in communications networks, it allocates global radio spectrum and satellite orbits, develops the technical standards that help networks and technologies seamlessly interconnect, and aims to improve access to ICTs to underserved communities worldwide.

2 Following the significant issues identified in our audit of the 2022 financial statements, as certified in January 2024, we highlighted that it was not going to be possible to accelerate the 2023 timetable in time for the June Council meeting. Our plans for delivering the audit were shared with Independent Management Advisory Committee (IMAC) in March. The Comptroller and Auditor General agreed on an approach with the Secretary-General to report our interim audit findings to Council, with the signature of the audit opinion in September. The IMAC will consider the results of our audit, ensuring appropriate governance and oversight over any changes in the presentation of the unaudited financial statements to Council (C24/43).

3 Subject to ITU maintaining and building on its improvement plans, we anticipate a return to the normal reporting cycle for the 2024 financial statements, reporting to the June 2025 Council.

Key observations

Financial management

4 The Secretariat has responded well to the observations on financial management we made in our 2022 reports. The Secretary-General has invested heavily in bringing in expertise to support the Financial Resources Management Department (FRMD) in the preparation of timely and compliant International Public Sector Accounting Standards (IPSAS) financial statements. Following initial feedback on the first two versions of the draft statements, the unaudited financial statement being presented to Council reflect the findings from our interim work.

5 Our interim work has focused on key risk areas identified from our previous audit and on the income and expenditure transactions which are reflected within the Regular Budget statement (Statement V). While there were material adjustments related to two specific areas of the financial statements, namely third party funds and finance revenue/costs, which have been corrected in the unaudited financial statements issued for Council 2024. These errors contrasted with the much higher and pervasive levels of misstatements identified in our 2022 audit. We shared our detailed findings with the IMAC on 22 May.

6 We noted significant improvements in the quality of the disclosures within the financial statements and in the supporting audit trails and documentation. Progress has been made with support from consultants, pending recruiting to enhance internal capacity. It is important that this additional capacity builds on the progress made, and ITU establish the quality review mechanisms required to mitigate the risk of material error in future years. The enhanced capacity is also essential in helping ITU address the challenges of new IPSAS reporting requirements in the coming years.

7 ITU reported in its unaudited financial statements, a consistent overall deficit of CHF 24.8 million (2022: deficit CHF 18.3 million) in the Statement of Financial Performance. On regular budget activities, ITU has reported an overall surplus of CHF1.4 million, within which it made a CHF 7.8 million loss between budgeted revenue and actual cost recovery revenues. Our report highlights several areas where budgeted revenues and costs differed materially, and we have emphasised the importance of setting taut and realistic budget targets, and of enhancing the information available to make conscious decisions on whether revenue activities recover their costs. We noted the recent work which identified significant under-recovery of the full costs of Satellite Network Filings.

8 The overall financial position of ITU is heavily impacted by the current value of obligations and commitments made to staff in respect of employee benefits, most significantly, After Service Health Insurance. These liabilities increased by CHF 30.7 million, to total CHF 399.4 million at the end of the period. It remains important for Members to continue to consider the funding approach to these liabilities, especially in respect to the elements attributable to extra-budgetary activities. In addition, the ITU continues to carry a provision for impairment of receivables of CHF 35 million, representing funds which are not readily available to be deployed.

9 ITU also holds assets under construction of CHF 26.6 million, which are significantly attributable to the capitalised costs of design work to 31 December 2023 in connection with the new building project. Our report highlights that the actual value of these assets may be impacted by the decisions of Council during 2024, and that the Secretariat will need to assess the impact and disclosure the extent to which this will be adjusted in the 2024 Financial Statements.

10 In our final report on 2022, we highlighted the need for the Secretariat to enhance its Treasury Management arrangements, and to obtain more external input to manage risk. Our analysis of the 2023 statements has shown that despite improved level of interest revenue, this has been offset by the heavy losses on exchange rate movements. Overall, ITU does not have arrangements in place to manage the risk of currency exposure, and its holdings have exceeded the levels of natural currency hedging which would normally mitigate the risk of loss. Overall, this has led to a currency loss of CHF 1.6 million. Similarly, ITU should develop its approach to those asset reserves it considers to be long term.

Governance and internal control

11 Governance and internal control are key mechanisms through which Members obtain assurance over the appropriate and effective use of resources. In our 2022 Interim Report to Council, we highlighted that key elements of the Accountability Framework were not fully operational or effective. The key element of the framework regarding assurance is the operation of the Three Lines assurance model. Following our initial audit observations, the Secretary General has provided a fair and balanced articulation of the control environment and her priorities for improvement in the Statement on Internal Control. While our report highlights areas for improvement, the Statement provides a commitment to a more honest and transparent view of the quality of controls and the work the Secretariat is taking forward to improve them.

12 In respect of the first line, changes have been proposed by the Secretariat to the Financial Regulations, and we consider these changes modernise and align the regulations with current arrangements. The Secretariat should see the changes as the first step to a wider future review, which should reflect development of regulations to incorporate best practice, partnership working and resource mobilisation activities. Additionally, ITU should explore the considerable opportunities to enhance business processes, to take key transaction streams and develop more cost-effective processes with focused and proportionate control activities.

13 The Secretariat should enhance the role and accountability of process owners, to include responsibilities for reviewing and assuring compliance. The development of data analytic tools would provide the basis for the second line and address a key assurance gap within ITU. It is important that a more systematic approach to compliance is adopted. Within the second line activities, ITU's process for risk management are not yet sufficiently mature and systematic to fully support decision making. Developments in these areas will require significant cultural shifts to fully embed these activities in the business operations of ITU.

14 As Members are aware, ITU has suffered from cases of fraud in previous years. The last fraud risk assessment was performed in 2016 and we have recommended that this is updated. This will ensure the Secretariat has a clear view of the areas more susceptible to fraud, such as project and external office activities, and will help ensure that controls and assurance activity is focused in the areas of greatest risk.

15 In early 2024, the Secretariat has further developed the Oversight Charter and recruitments for the Chief of Oversight and for evaluation capacity are currently in progress. Since our last report the investigation function has migrated to the Oversight Unit. We continue to stress the importance of a risk-based approach to the Unit's work, focusing on materiality and operational risk to ensure it adds value. It is particularly important during a period of change and with areas such as cyber risk, development of risk and results-based management, and a major construction project, that the Oversight Unit has sufficient capacity and can contract for specialist skills as necessary. As we highlighted last year, the risk-based planning is especially important during a period of significant change, and as the Secretariat better develops its own identification of risk. As the Oversight Unit evolves it will be important to ensure regular reviews of its effectiveness and to refine plans as necessary.

16 We understand changes are planned to investigation and retaliation policies. It is important these policies are reviewed against best practice and subject to scrutiny by IMAC once drafted. Recognising the actions being taken by the Secretariat and the development of the Charter, the current gaps in the evaluation function and the independent Ombudsperson represent weaknesses within ITU's current third line arrangements.

Transformation programme

17 The Secretariat has begun to establish arrangements for delivering the Secretary-General's transformation plans launched in June 2023. A transformation team is being established, together with reporting tools to monitor and track the deliverables within the initiative. A roadmap has been developed, which anticipates delivery of transformation in the period July 2024 to December 2027. Our early observations are that the plans are ambitious and at present there are limited specific resources dedicated to the programme. It will be important to prioritise deliverables to achieve the best cost benefits. There is currently no overall cost attributable to the planned initiatives to 2027, and a reliance on funding from the regular budget allocations may create risk to the achievement of objectives.

18 Many of the transformation initiatives have been internally generated and there are opportunities to engage external perspectives which could help validate the transformation approach and ensure opportunities for improvement are explored. In our view, transformation should also consider opportunities for efficiencies by other modalities of delivery such as outsourcing and shared services. A significant risk common to all transformation programmes is the risk of cultural inertia and change fatigue. It will be important for the Secretariat to have a clear plan on how it will support staff and monitor their engagement in transformation.

New building project

19 In 2022 we made substantive observations regarding the status of ITU's planned building project. Since our report in June 2023 there have been continued deliberations and we understand the Management Board, the project Steering Committee and Member State Advisory Group (MSAG) have considered options which will be presented to Council within an overall cost ceiling for delivery by 2031. We continue to emphasise the importance of three key elements of governance, namely a clear assessment of the aims and benefits of the project, to assess its value for money and its successful delivery; the importance of dedicating sufficient resources to external independent project oversight expertise and assurance; and the importance of accurate and assured reporting to ensure informed decision making.

Previous recommendations

20 We made 19 recommendations on our audit of the 2022 financial statements. The status of these is set out in the appendix. In May 2024, the Secretary-General initiated an exercise to undertake a comprehensive review of all outstanding recommendations. In light of this, we have made limited new recommendations in 2023, but we have clearly indicated where the Secretariat should take action. We will report progress on the implementation of all external audit recommendations and provide our observations on implementation status in our report next year.

Part One

Financial management

Presentation of financial statements

1.1 As Members will recall, in June 2023 we issued an Interim Audit Report to Council which reported significant issues in respect of ITU's financial reporting. We found the initial 2022 financial statements were not compliant with International Public Sector Accounting Standards (IPSAS). The Secretariat responded positively to the identified issues and while it took some time to resolve these matters, the External Auditor provided an unqualified opinion on the fair presentation of those Statements in January 2024. We reported this outcome to Council Working Group on Financial and Human Resources that month. Our associated final report is contained in Council document C24/41.

1.2 As highlighted in our January 2024 report and reiterated in our audit planning report for 2023, it was not going to be possible to accelerate both the financial closure and audit processes to recover the timetable from a late certification of the 2022 financial statements in one cycle. The Secretary-General invested significant resources to enhance the capacity of FRM, using external consultants, to provide compliant financial statements and to ensure they would be available in line with the requirements of ITU's Financial Regulations.

1.3 ITU presented the draft operating report and financial statements for audit on 27 March 2024. Overall, while the financial statements were an improvement on the version presented for audit last year, management's processes for ensuring quality review were not sufficiently robust. Our initial review identified a series of presentational and disclosure matters for ITU to consider and included material misstatements.

1.4 Revised statements addressing the initial concerns were subsequently provided for audit. During April and May 2024, we performed substantive interim audit work on areas we considered to be higher risk. Our work also included the routine revenue and expense transactions to enable us to have confidence in the transaction processing controls. We have substantially completed our work on:

- revenue and expenses, including payroll costs;
- the compilation and presentation of Statement V;
- the after-service health insurance liabilities;
- borrowings;

- third party funds; and
- bank and investment holdings.

1.5 Our audit to date has not identified any significant transactional misstatements, we did however, identify the need for further adjustments. These adjustments have been reflected by the Secretariat in the *unaudited* financial operating report presented to Council C24/43. These material adjustments related to two specific areas of the financial statements namely third party funds and the finance revenue/costs. This contrasts to the pervasive misstatements identified in the previous year. In line with good practice, we shared the detail of these adjustments with the IMAC on 22 May 2024, and discussed the wider progress and findings from our audit.

1.6 We have agreed with the Secretary-General to finalise our audit procedures in July and August, including our final review and engagement quality control procedures, and we anticipate the External Auditor will sign the audit opinion in September 2024. We have agreed to report the overall findings from our financial audit to the IMAC in mid-September allowing them to form their judgement and recommendations to the Secretary-General and Council. We understand our final audit opinion on the financial statements will then be circulated to Council Members.

1.7 ITU plan to recruit two additional staff to enhance the skills and competencies in FRMD to meet the challenges of financial reporting and reducing the reliance on external consultants. It will be important to ensure that these new people are onboarded in sufficient time to enable ITU to develop models and processes to further enhance its financial reporting. The increased capacity should enable management to enhance its quality review processes.

1.8 As we have discussed with the Secretary-General, we are committed to building on the progress made and expect to engage with the Secretariat in the Autumn to agree a shared project plan to support delivery of the 2024 audit opinion and report to Council in June 2025.

Financial performance

1.9 ITU reported an overall deficit of CHF 24.8 million (2022: deficit CHF18.3 million), with total revenues of CHF 180.7 million (2022: CHF 172.1 million) and expenses of CHF 197.2 million (2022: CHF 196.8 million). While overall expenses remained consistent with the previous year, reductions of CHF 2.8 million in employee expenses and CHF 3.9 million in the depreciation charge were offset by increases in other expense categories including a CHF 2.2 million increase in mission expense.

The Statement of Comparison of Regular Budget to Actuals

1.10 The Statement of Comparison of Regular Budget to Actuals shows revenue and expenses against the approved budget, with actual revenue of CHF 157.0 million and actual expenditure of CHF 155.6 million against the balanced budget of CHF 163.4 million. While ITU reported an overall surplus of CHF 1.4 million against its break-even target, cost recovery revenue was CHF 7.8 million below budget. This shortfall was primarily due to the decrease in cost recovery revenue for the processing of satellite network fillings (SNF). This was partially offset by interest revenue of CHF 2.9 million against the forecast of CHF 300,000.

1.11 The 2023 revenue forecast for SNF was CHF 18 million with actual revenues of CHF 10.6 million. While the 2024-2025 biennial budget has forecast lower SNF revenues, at CHF 14 million for each year, this remains significantly higher than the average of CHF 10.7 million achieved over the past three years. ITU report that the difference between the budgeted and the actual invoiced amounts arises from a shift between submissions from geostationary satellite networks to non-geostationary satellite systems. Non-geostationary satellite systems are subject to lower fees giving rise to the shortfall.

1.12 As highlighted in our report last year, it is critical for ITU to retain a focus on accurate forecasting of revenues. ITU should identify areas where cost-recovery activities do not achieve the recovery of full costs. This information should then be used to determine whether the activities should be cross subsided to achieve the aims of the Union, or to inform the decisions on fee levels. We have noted that the Secretary-General, in Council document C24/16, has assessed the costs associated with the processing of satellite-related filings in 2023 at CHF 19.4 million, resulting in a significant under-recovery when compared to revenue of CHF 10.6 million. If the Union does not recover the full costs of its cost recovery activities this results in cross subsidisation, impacting on the wider operations and aims of the Union.

1.13 On expenses, overall savings against budget were achieved in all ITU sectors and these are set out in more detail in Note 24 to the financial statements. ITU should reflect on the reasons for the savings achieved and reflect whether this provides any useful insight into the budgeting process, for example, whether the budget assumptions and forecasting are sufficiently taut to encourage savings and efficiencies to enable the budget to be a more useful mechanism for accountability purposes. During our mandate, we will look at the Union's budget setting arrangements, mindful that a review of Results Based Management and budgeting is planned.

Financial position

1.14 Overall, because of actuarial losses of CHF 19.5 million on the valuation of the After Service Health Insurance (ASHI) and taking account of the deficit of revenue over expenses, the net assets deficit increased to negative CHF 257.3 million (2022: negative CHF 213.1 million).

1.15 Total assets decreased by CHF 9.4 million to CHF 308.5 million. These assets included cash and investments of CHF 190.9 million (2022: CHF 207.7 million) and property, plant and equipment and intangibles assets with a net value of CHF89.0 million (2022: CHF86.6 million). Receivables from core activities increased to

CHF 19.6 million (2022: CHF 17.8 million) after impairment of CHF 35.0 million, reflecting management's consideration that it considers this amount to currently be irrecoverable from Members and other users of services. This amount represents a significant reduction in the assets which should be due to the Secretariat to implement activities.

1.16 Total liabilities increased by CHF 35.0 million to CHF 565.9 million. Liabilities include contributions received in advance of CHF 50.5 million (2022: CHF 50.8 million), third-party (i.e. donor) funds of CHF 38.7 million (2022: CHF 38.8 million), borrowings of CHF 53.0 million (2022: CHF 48.3 million) and total staff benefit liabilities of CHF 399.4 million (2022: CHF 368.7 million). Of this, CHF 375.3 million relates to the after service health insurance, as shown in Note 17 to the financial statements.

1.17 ITU's overall financial health has stayed broadly consistent over the past four years, but it continues to report negative net assets primarily due to the unfunded employee benefit liabilities. We use ratio analysis of an organisation's financial health on all our international audits to show how financial positions change over time (Figure 1). They express the relationship of one item of account against another. For example, there are CHF 2.2 of current assets for every CHF 1 of current liabilities, demonstrating that ITU can meet its immediate cash-flow requirements. This is predominantly due to ITU's cash management policies which mean its cash and investments are held as current assets even though they support non-current liabilities, such as donor funds and reserve accounts, including employee benefits. A more accurate measure of financial health is that ITU currently has only CHF 0.5 of assets to cover every CHF 1 of its liabilities, which has been a relatively steady measure of health across the last four years.

Figure 1

Analysis of ITU's key financial health ratios

Ratio	2023	2022	2021	2020
Current ratio				
Current assets: Current liabilities	2.2	2.2	3.2	3.3
Total assets: Total liabilities				
Assets: Liabilities	0.5	0.6	0.5	0.4
Cash ratio:				
Cash and short-term investments: Current liabilities	1.9	2.0	2.8	2.9
Investment ratio:				
Cash and investments: Total assets	0.6	0.7	0.7	0.6

Source: ITU financial operating report

Cash management

1.18 At 31 December 2023, cash and investments totalled CHF 190.9 million (2022: CHF 207.7 million). ITU's Financial Regulations require that the Secretary-General minimises investment risk while ensuring the liquidity necessary to meet the Union's cash-flow requirements. The Regulations also require that investments are made to achieve the highest reasonable rate of return. During 2023, ITU benefitted from a higher interest yield from its investments and reported investment income of CHF 4.6 million (2022: CHF 1.3 million), much of this was earned on US dollar investments.

1.19 With the weakening of the US dollar (and Euro) against the Swiss Franc over the year, the value of ITU’s foreign currency holdings fell by CHF 6.2 million. This has resulted in a negative return and a loss of CHF 1.6 million on foreign currency holdings. At the year end, our analysis showed that ITU held cash and investment in US dollars of some $ 100.2 million, while ITU required only $ 21.5 million to match against its US dollar liabilities. Consequently, the Union was significantly over exposed to currency risk at the end of the financial period, which we consider to be conflicting with the overall aims of the Financial Regulations.

1.20 In our report on the 2022 financial statements, we considered the ITU’s investment guidelines and the role of the treasury committee. Considering ITU's cash resources, we found existing arrangements to be weak and recommended that the investment policy and processes was reviewed, to ensure they reflect best practice and make the best return on cash resources within an agreed risk tolerance, this should be informed by external benchmarking and expertise. ITU accepted this recommendation and has commenced a review of its associated policies.

1.21 Given the losses in 2023, we consider it important that ITU take urgent steps to obtain sound independent and expert investment advice and that it update its investment policy, processes and practice. It is critical that treasury management minimises the unnecessary risks associated with currency fluctuations.

Debtor management

1.22 To have stable and predictable levels of resource it is important that Members fulfil their obligations in full, and on a timely basis. At 31 December 2023, there were CHF 57.3 million (2022: CHF 53.9 million) of outstanding receivables. The majority of which was from Members and has been outstanding for more than 12 months. The level of outstanding receivables constitutes a significant financial burden on the available cash resources of the Union to fund its core activities. As highlighted last year, ITU invoices Members six months in advance to help manage its cash-flow.

1.23 Utilising future cash resources to meet current cash demands, does not represent good practice and doing this on a consistent basis is not a sustainable way to resource activity. It creates a risk that resources might not be available to replenish those funds which exist for other purposes. We continue to note that ITU's current budgetary processes do not take account of the trends in actual receipt of funds, and therefore risk allocating resources that will not in fact be received in the period.

Project management

1.24 In 2023, ITU recognised extra-budgetary revenue of CHF 19.0 million (2022: CHF 18.0 million). It also held third-party funds for ongoing implementation of projects totalling CHF 38.6 million (2022: CHF 38.8 million). ITU's data showed it had circa 340 active projects at 31 December 2023. Our analysis demonstrated 80 per cent of the activity was in just 30 projects and over 100 projects had no activity in 2023. ITU operates many relatively small projects, while also carrying a significant number of projects that appear inactive. In our experience, smaller projects may take disproportionate management effort to manage and implement, and are less likely to recover sufficient overhead costs. While we recognise that small projects can bring important benefits to Members and donors, the Union should consider the cost benefit of such an activity profile. It is our intention to cover the Union's approach to project management and its operation in our audit of the 2024 Financial Statements.

1.25 As highlighted earlier, several of the adjustments required to the initial draft financial statements related to the extrabudgetary funds. This is an area that ITU should continue to focus upon, including the cleansing of its accounting records and to ensure that the project accounting complies with policies and the reporting standards.

1.26 Our audit work has confirmed that activities were in line with donor agreements and ITU's wider mandate and, following adjustments, were in all material respects properly presented in accordance with IPSAS. Accounting for projects is a complex area within IPSAS and new standards mean it will be subject to change over the coming years. We have discussed with the Secretariat the importance of early planning for this change, and to reflect on how project and donor agreements might be framed to ensure accounting reflects the ITU's desired accounting intentions and minimise administrative complexity.

Employee benefits

1.27 In 2023, total employee expenses reported in the financial statements were CHF 150.7 million (2022: CHF 153.5 million), these represent 76.4 per cent (2022: 78.0 per cent) of all expenses during the period. ITU's Staff Regulations set out the conditions of service and the basic rights, duties, and obligations of ITU staff. This includes the salaries, related allowances and social security benefits, including access to the UN Joint Staff Pension Fund and After-Service Health Insurance.

Post-employment benefits

1.28 The most significant liabilities which ITU recognises in its financial statements are the employee benefit liabilities. These liabilities comprise the staff member's after-service health insurance, their repatriation entitlements, and their accrued annual leave. The overall liability for these staff benefits increased to CHF 398.9 million (2022: CHF 368.4 million).

1.29 The after-service health insurance liabilities totalling CHF 375.3 million (2022: CHF 344.1 million) are calculated by an independent actuary based on underlying data and assumptions. They reflect the value of the contractual obligations to staff and retirees, on 31 December 2023, for their underlying claims expected in the future. The year-on-year movement arises from changes in the actuarial assumptions including those relating to medical claims costs.

1.30 Given the high level of estimation and judgement in the valuation, we treat this as a significant risk to the audit. Alongside, reviewing the controls in place over the valuation including management's validation of the census data used by the actuary, we consider how management determine that the assumptions used are reasonable and appropriate. We test the veracity of the census data and perform procedures to earn the right to rely on management's expert. Our actuarial team evaluate the assumptions and methodology used to ensure they are appropriate, compliant with IPSAS and in line with industry comparators.

1.31 ITU maintains a separate account for the funds it has allocated for the future financing of after-service health insurance liabilities which at December 2022 totalled CHF 14 million (2022: CHF 14 million). These funds have primarily been generated by transfers from the reserve account. Despite this, there are significant unfunded liabilities of circa CHF 360 million. Such unfunded liabilities are common within the UN system, but it remains important for Members to regularly determine and approve the way in which they wish to plan for the funding of these scheme liabilities, especially those which arise because of extra-budgetary funding.

1.32 In the Council paper, Document C24/46, the Secretary-General provides an update on the status of the liability, how the funding is currently managed together with an update on system-wide developments. The unfunded liability remains ITU's most significant financial risk and Members should regularly review the existing arrangements for both the provision of services and to confirm that the funding strategy for the costs and liability remain the most appropriate for the circumstances of the Union. In this regard, Council may wish to consider whether there are surplus funds in other reserves, such as the ITU Staff Superannuation and Benevolent Funds which we have noted has limited activity but representing a combined balance of CHF 6.5 million. Management should consider whether it would be appropriate to obtain authority from Members to redesignate these funds to increase the funding level of ASHI.

1.33 The most significant factors that have impacted the valuation of the liability are the actuarial assumptions, which increased the liability by CHF 19.5 million (Figure 2). These comprise:

- CHF 24.7 million loss on financial assumption changes. These cover updates to assumptions such as discount rates, inflation and medical trends. The gain here related primarily to the discount rate reducing from 2.5 per cent to 1.9 per cent which increases the overall liability. ITU uses a cashflow weighted yield curve approach, which reflects the underlying plan's expected cashflows and estimated currency exposures.

- CHF 574,000 gain on demographic assumption changes. Consequently, there have been no significant changes to demographic assumptions over the period.

- CHF 4.6 million gain on experience changes. These cover adjustments required due to the difference between assumptions made and actual results and arise primarily from an update of the census data used in the valuation.

Figure 2

Evolution of the ASHI defined benefit obligation

	2023	2022	2021
Defined benefit obligation 1 January	344,102	545,636	631,870
Interest cost	8,489	2,703	1,254
Current service cost	10,165	19,685	25,171
Contribution paid	-7,009	-8,412	-9,160
Actuarial assumption changes	-19,524	-215,510	-103,499
Defined benefit obligation 31 December	375,271	344,102	545,636

Source: ITU financial statements

Medical claims costs

1.34 The underlying obligations of ITU are the expected claims which will be made in the future, which staff members, former staff and their dependents have earned from their past service with the organisation. In developing the estimate, ITU's actuary develops expected claims costs per claim at each age which can be seen in Note 17.1.2 to the financial statements.

Figure 3

Medical claims costs

Age range	2023 claims cost (CHF)	2022 claims cost (CHF)
50	3,226	3,138
55	4,038	3,928
60	5,063	4,925
65	6,357	6,184
70	7,995	7,777
75	10,074	9,800

Source: ITU's financial statements and ITU's IPSAS 39 ASHI valuation reports

1.35 ITU's actuary performed a study in 2018 using actual ITU claims cost experience between 2015 and 2017, this was prior to joining the United Nations Staff Mutual Insurance Society (UNSMIS). This information was used to create a profile of expected claims at each age between 50 and 90.

1.36 As reported last year, the medical claims cost assumptions were adjusted based on experience from 2020-2022, after ITU began participation in the UNSMIS. For 2023, the medical claims cost assumption is adjusted with the expected medical inflation up to the measurement date.

1.37 Given the changes to the plan, in particular the move to UNSMIS and the general changes to global healthcare trends (notably due to the Covid-19 pandemic), in our 2022 report we recommended that ITU should perform a new full medical claims cost study to update the profile and support its future valuations. In its response, the Secretariat is deferring action on this until at least 2025. In our view, a full experience study should be conducted regularly, and preferably on a three year cycle unless there is a robust justification for this to be extended. **We reiterate our earlier recommendation and suggest that ITU address this for the 2024 valuation.**

UN Joint Staff Pension Fund

1.38 ITU is affiliated as a member organisation to the United Nations Joint Staff Pension Fund (UNJSPF) through its employees. However, as the pension scheme cannot accurately determine a reliable estimate of the corresponding risk borne by each participating organisation no actuarial liabilities for the pension scheme appear in ITU’s financial statements.

1.39 The characteristics of the UN pension scheme are outlined in Note 17.3 to the financial statements and this disclosure is consistent across many participating organisations. At the latest actuarial date, 31 December 2021, UNJSPF has concluded that there was no requirement for deficiency payments to be made under Article 26 of the Fund's Regulations, as its funding ratio had improved since its last actuarial report to 117 per cent (2019: 107.1 per cent). Should this situation change in the future, deficiency payments would be required from ITU and other participating UN system entities. This situation represents a potential future financial risk to the organisation which needs to continue to be tracked.

Part Two

Governance and internal control

Background

1.40 As we reported last year, effective governance and internal control are an integral part of providing Members with assurance over the use of resources. As the Secretary-General has reflected in her 2023 Statement on Internal Control, there are significant changes being made to oversight and control arrangements. In general, 2023 has seen progress in establishing plans and roadmaps for improvement, and 2024 will see recruitments, amendments to policy and other enabling actions to progress and operationalise these plans.

1.41 As the Statement on Internal Control highlights, the main basis of the control environment is the internal control framework designed by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). This is predicated on the concept of the three lines model, namely the functions that own and operate controls, functions and processes that contribute to oversight of compliance and the operation of controls and risk and the functions that independently assure these processes. Overall, we welcome the improved transparency in the Statement on Internal Control, which provides an honest assessment of the internal control environment and the planned improvements, including areas such as risk management, results based management and control activities.

Control framework and operation: first line processes

1.42 Our audit work to date has not identified any significant control deficiencies relating to the framework of control or its operation. We have noted areas for improvement and concur with the findings of the oversight unit on the need to enhance procurement controls. In general, there are significant opportunities to review and refine first-line processes. At present the approach to control is not proportionate and is not based on an assessment of risk.

1.43 There is scope to make business processes more efficient and proportionate and ensure clarity of the business process ownership. In our experience the concept of the business process owner is under-developed within ITU, and their role, responsibilities and accountability for compliance are areas which should receive attention and focus through the transformation programme.

1.44 Good practice would be to identify process heavy transaction streams and undertake an end-to end review of the business process, assessing them against risk, cost and time criteria. In our experience, it is possible to make processes more efficient and to ensure controls are proportionate to the risk and transaction value. This would enable process owners to better focus on higher risk transactions.

Financial Regulations

1.45 The Financial Regulations represent the cornerstone of the internal financial control environment, and many internal controls are established to ensure continued compliance with the requirements of the Regulations. The Secretariat has proposed to the ITU Council through its Working Group on financial and human resources, a modest set of changes to certain Articles of the existing financial regulations to update the Regulations to current practice. For example, they reflect the changes resulting from the cessation of the ITU Telecom event and introduce the concept of fund accounting at ITU. In our view, none of the proposed changes weaken the existing control environment.

1.46 However, we scope for strengthening and operationalising related policies and practices. For example, in the need to update investment policies. Through our work on the financial statements, we have also discussed with management the need to establish more defined policies around the assumptions used for the ASHI valuation. In addition to the changes currently proposed, we believe there is future merit in a more fundamental review of the Financial Regulations to ensure that they are fully aligned to best practices and support modern resource planning and mobilisation. They should also address important areas such as partnership working. Given the expansion of its project portfolio, the current regulations do not fully reflect the reality of current project implementation modalities.

1.47 The review of Financial Regulations should be a regular process, to ensure they remain fit for purpose, reflect the structure and activities of the Union and the future planned approaches such as the emphasis on the accountability framework and a more structured results-based management framework. Subject to Council approval of the revised Financial Regulations, our experience suggests there is merit in undertaking a critical review after the first year of operation, to provide an opportunity to address any important omissions or clarifications. This review could incorporate our observations on areas of improvement.

Compliance and risk: second line

1.48 As we reported last year, the second line would normally include compliance activity to support process owners in review and oversight of the operation of key controls managed by the first line. This would include the use of data analytic tools and other exception reporting. The Accountability Framework recognises the need for a more holistic approach to quality control and having comprehensive systems in place to provide this assurance is the most significant element of the second line. Arrangements are in place for the provision of assurance letters and a self-assessment of compliance by elected officials and relevant senior management. However, we continue to note that there is currently little objective evidence to underpin the assessment of the control environment and therefore to provide substantive assurance on the Statement on Internal Control.

Fraud detection and prevention

1.49 ITU has experienced fraud and cases of malpractice resulting in financial losses to the Union. ITU currently has a largely reactive approach to fraud prevention and detection, based on cases reported. Given the history of fraud and the Secretary-General's commitment to enhancing the control regime, we would recommend that ITU revisits its fraud risk assessment and wider policies. The last fraud risk assessment undertaken by the Union was in 2016. A systematic approach to the assessment of fraud risk and of the quality of mitigations is essential in protecting the Union and in deterring and detecting fraud. This should be accompanied by comprehensive training and awareness raising. These activities should specifically cover risks at External Offices, with recent cases higher fraud risks in this area. This will serve to reinforce a stronger culture of fraud awareness.

1.50 A fraud risk assessment should encompass consideration of COSO Principle 8 - “Assess Fraud”, covering the four key areas of fraud risk to which any organisation may be susceptible. It should also reflect the trends and risks in available data on fraud cases and investigation activity, which from our review indicate high risks in activities in extra-budgetary operations outside headquarters. The definition of fraud should be broader than the areas the previous assessment covered, and encompass consideration of:

- fraudulent reporting: to review arrangements to ensure financial reporting internally and externally is objective, subject to quality control rigour and is reinforced by a culture of honest unbiased reporting;
- safeguarding of assets: that financial assets, property, equipment, intellectual property and data information assets are securely held, safeguarded and controlled;
- corruption: that the policies and processes are sufficient to identify, deter and respond to corruption risks in activities, operations and in the contractors and service providers used by ITU. Staff should be trained sufficiently to play their role in supporting a culture of zero tolerance; and
- management overrides: that management set an appropriate tone to encourage a culture of honest reporting to frame sound decision making and to prevent the risk that information is presented incorrectly or with bias.

1.51 A strong commitment to fraud prevention and a zero tolerance of fraudulent activity are seen as indicators of organisational maturity by donors when making partnering decisions. Members have high expectations in the light of previous cases, and the Secretary-General has emphasised the importance of enhancing the culture of propriety. The Secretariat is currently reviewing and redrafting its policies in respect of investigations, retaliation and anti-harassment. When making amendments to policies in these key areas, we consider that it is important to compare current policies against best practice and to communicate changes through the IMAC, to ensure that policies have had effective and objective external scrutiny. When launching these revised policies emphasis should be given to associated training.

1.52 As with many international organisations we consider that instances of fraud are likely to be under reported. This is an issue regularly flagged to the UN Chief Executive Board by the UN Panel of External Auditors. The Secretariat should regularly remind staff of their responsibilities and the use of appropriate channels to report allegations and concerns within the framework which protect them against retaliation. We have noted that the role of the independent Ombudsperson is currently vacant within ITU, and we encourage the Secretariat to finalise appropriate arrangements for this service as early as practicable. The existence of an effective and external Ombudsperson provides extra protection to ensure that internal justice processes are operating fairly and objectively, providing confidence to Members, the Secretary-General and staff.

ITU should:

R1: perform a new systematic assessment of its exposure to fraud risks throughout the Union and consider whether current control activity is sufficiently focused to mitigate the risks that are identified.

Management response: ITU accepts this recommendation and will include this in its oversight planning for 2025.

R2: a) ensure that its current review of anti-fraud and retaliation policies are assessed against best practice, subject to scrutiny by IMAC; and b) underpin its internal justice arrangements through the introduction of appropriate independent Ombuds processes.

Management response: ITU accepts this recommendation and will ensure a proper review of related policies and procedures. This will be done in consultation with IMAC. Management has already been working on a review of the ITU internal justice system. ITU management will be concluding with the establishment of an Ombuds service later in 2024.

Risk management

1.53 The purpose of a risk management process is to systematically identify, consider and mitigate risks that could adversely affect the organisation and the achievement of its objectives. A systematic process of Enterprise Risk Management (ERM) provides confidence in the management of risk, and a clear route for escalating those which need to be brought to attention and which require greater senior management engagement and oversight. A sound risk process can enhance accountability and support the more efficient use of resources.

1.54 ITU developed its ERM Policy in 2020 and the Secretariat has committed to revising the Policy during 2024, to reflect structural changes arising from the Accountability Framework, the requirement to enhance the three lines and to reflect new risk appetites. Additionally, the Secretariat has highlighted the need for risk management to reflect the underlying business objectives. In our view the Union's current ERM processes are not sufficiently mature, and there is a need to embed a culture of risk management within the business operations. We do not consider that risk management supports decision making or represents a complete and systematic assessment of organisational risk.

Oversight and assurance: third line

1.55 The Secretariat has developed a draft Oversight Charter which brings together the key oversight functions which form the third line. The draft Charter covers all the key features of oversight which we would expect. In operationalising this charter, it will be important to review its effectiveness after the first year of operation. The draft Charter addresses many of the areas we highlighted in our Interim Report to Council, including redesignation of the post to the director level, and obtaining synergies by combining the oversight activities under this post. We noted that In line with good practice, ITU has made the Chief of Oversight post term limited to five years. The draft Charter provides the assurances of compliance with appropriate standards and the safeguards to secure independence.

1.56 A key feature of the new Oversight Unit will be to ensure a focus on risk and materiality. It is important that work plans are framed by the improvements planned within ERM and compliance, to ensure the focus of the Unit's work is proportionate and addresses the most significant risks. In planning work it will be important to ensure there is a clear assurance map, to identify any oversight gaps. In planning audits, the new unit will also need to continue to assess the skills and capacity available to it to address the risks identified, including in areas such as investigations. Some areas will require specialist inputs, such as IT and cyber and construction risk, and how assurance needs can be met in these specialisms. More widely, it is an opportune point to consider how internal oversight can best serve the overall assurance needs of ITU, and how these might be delivered in a cost-effective manner, including the use of external consultancy.

1.57 It will be important for the oversight unit to monitor the development and effectiveness of the emergence of the second line activities. In time, these compliance activities should provide a valuable source of data to help inform the assessment of risks to inform the Unit's work plans. Collectively the planned improvements should provide a body of evidence to help support and underpin the assurances given in the Statement on Internal Control. In our view, the Oversight Unit should provide sufficient assurance over the operation of controls to enable an issuance of an annual opinion. We will actively engage with the new Chief of Oversight when they are appointed to share our observations on areas for enhancement.

1.58 The effectiveness of all the arrangements proposed in the draft Charter will depend on the sufficiency and quality of resources which are dedicated to them. In this respect, together with the oversight of IMAC, a commitment to an external quality assessment in the early years of the arrangements will be helpful in the development of the new unit. This will be particularly important in areas such as the evaluation function, which will be a substantive new discipline within ITU. We support the commitment to risk focused evaluation and consider it an essential component of oversight to give confidence to Members in the effectiveness of ITU's operations. It will provide valuable learning to help management adapt ITU operations. At present, ITU has limited objective assurance over the effectiveness of its activities to inform improvements in performance.

Part Three

Transformation programme

1.59 At the June 2023 Council, the Secretary-General committed to a Transformation Programme for ITU. In our report to that Council meeting, we highlighted the importance of defining a clear target operating model; the need to establish a dedicated unit to support and co-ordinate project management and reporting; and effective assurance and governance arrangements which are objective, independent and expert.

1.60 The Secretary-General has begun to establish the arrangements for delivering the transformation programme and has articulated this in a Roadmap (C24/73). This Roadmap sets out the vision for transformation activity for implementation between July 2024 and December 2027. The planned activity encompasses critical areas of the enabling functions of the General Secretariat, with planned improvements in governance, systems and processes, people and culture and optimisation of resources. The initiative represents a collection of discreet improvements, rather than changes to the mode of delivering the services, though this remains under consideration. Key performance indicators are being developed to measure progress of planned initiatives, and an indicative timeline for their implementation.

1.61 At the time of our audit, the transformation plans are at an early stage and recruitments to the Transformation team and the governance arrangements are being embedded. The Secretariat is currently formulating the detailed operationalisation of the plan, and formulating the mechanisms which will be used to control and report transformation activity. There are currently 89 planned deliverables, each of which will contain additional activities and actions necessary to deliver the outcome. Collectively, the planned actions are significant and ambitious, they offer opportunities for improvement, efficiency and effectiveness if delivered well. There is a commitment to measure baselines to demonstrate improvements.

1.62 To achieve successful transformation, sufficient expertise and financial resources should be dedicated to achieving the results. Many planned activities are mainstreamed into the standard planning and resourcing modalities of the Secretariat. Specifically dedicated resources for 2024 has been limited to CHF 1.3 million and, in our view, this is low for a plan of this ambition. The Secretariat should assess the risks to the plan and seek to ensure that there is clarity in the prioritisation of the transformation activities. Some areas will offer more demonstrable returns for the resources invested, and it is important that these are clearly articulated to ensure that opportunities are maximised. This will be particularly important in areas of IT and system development, which will require more intensive specific investment. At present the Secretariat has not fully costed the planned initiatives.

1.63 The Secretariat should assess the inter-relationships between the different elements of the programme and continue to think more widely about opportunities to exploit other modalities of delivering functions, such as outsourcing, partnering and shared services operating in lower cost locations. Change initiatives should facilitate greater focus on innovation, encouraging employees to explore new ideas, processes, and technologies that can streamline operations and improve efficiency.

1.64 While driving change internally may have the benefit of employee buy-in, there are downside risks related to siloed and group thinking and the loss of opportunity to challenge the status quo. We believe there are opportunities to engage external perspectives and facilitation. Objective and independent input to inform the transformation plans will help validate the approach, ensure opportunities are explored and provide greater assurance to the Secretary-General on the achievement of her objectives. This could include expertise in change management to provide objective perspectives, challenge existing norms, and seeking opportunities to streamline business process. We continue to encourage objective challenge of the transformation and for assurance over the progress of the initiative.

1.65 In many areas the changes could require significant change in organisational culture. In ITU, changes of this scale are unusual, and therefore management should plan for addressing the risks of cultural inertia. It will be important to plan activities to support staff in implementing and embedding changes. This will involve clear communications, support and training and measurement of staff engagement through regular surveys to identify areas for attention. The transformation plan offers substantial opportunities for the Union to improve and enhance its efficiency and effectiveness. We will continue to review management's progress on this initiative over our mandate to provide observations to support the Union in delivering effective and beneficial change.

New building project

Background

1.66 ITU recognises that its current Varembé building has reached the end of its lifespan, and a new construction is required to meet the ongoing needs of the Union. At the June 2023 Council, the Secretary-General reported that the total cost of the project was going to exceed the available financing. Following meetings of the Council Working Group on Financial and Human Resources in October 2023 and January 2024, the Secretariat were directed to reassess the current project.

1.67 The Management Board, the project Steering Committee and Member State Advisory Group (MSAG) were involved in establishing guiding principles for the redesign. The key principles were for the project to be fit-for-purpose, fit-for-future and meet the statutory and other requirements of a new building. A review of the initial scope was undertaken and conscious of the available budget, an alternative project design has been determined. This aims to address the Union's needs by including conferencing and office space, together with common areas, including a restaurant and delegates' lounge.

1.68 The Secretariat estimate that the revised project can be delivered with the ceiling of CHF 172.7 million including the CHF 18 million sponsorship funding, which cannot be assured until the respective sponsors agree to the revised design. The new proposal has been set out in Council document C24/7, together with an indicative timeline for the overall delivery anticipating completion by 2031.

Financial reporting

1.69 Note 27 to the financial statements provides the Secretariat's assessment of the potential impact of decisions on the carrying value of capitalised costs of the new building. These "assets under construction" represent the capitalised element of the design and associated works performed to date. The value of this work may be impacted by the decisions made by the Council in its June 2024 meetings. The disclosures will therefore need to be updated to quantify the likely impact of decisions on the costs which have already been incurred. We anticipate that any changes to the carrying values arising from the decision would be recognised in the valuation reported in the 2024 financial statements. We may include an emphasis of matter in our audit opinion on this issue if we consider the changes to be so material that it would be fundamental to users' understanding of the financial statements. This is not a modification of the audit opinion, but merely using the audit report to draw users' attention to the matter as disclosed in the financial statements by the Secretariat.

Our previous recommendations on the building project

1.70 In our 2022 report to Council, we emphasised the need to establish a clear set of project benefits against which the Members will be able to measure the success and value for money of the project on completion. We also outlined the importance of clear governance and assurance arrangements to provide Members with confidence on the costs, risk mitigations and overall progress of the project. While recognising the current arrangements, including the role of MSAG and the assistance of a technical expert, we continue to champion the need for resources to be made available to provide a sufficient level of expert and independent assessment for a project of this scale and importance. Accurate and assured information will enable management to make better and more informed decisions to ensure the project stays within its overall parameters.

1.71 Given the history of this project and its sensitivity to Members, we consider that these mechanisms are fundamental to successful project delivery, to provide assurance to the Secretary-General and in the retention of donor and Members confidence in the project. **We reiterate our earlier recommendations and ITU should consider how to best address this following Council's decision.**

Part Four

Prior recommendations

1.72 We made 19 recommendations on our audit of the 2022 financial statements. The status of these is set out in the appendix.

1.73 In May 2024, the Secretary-General initiated an exercise to ask ITU process owners and relevant managers to undertake a comprehensive review of all outstanding recommendations. The exercise will identify those recommendations which no longer remain appropriate and establish appropriate deadlines for implementation of the remainder. This will provide a much stronger basis to enforce accountability for implementation and to better track high priority recommendations. The cleansing of the database of all internal and external audit, alongside Joint Inspection Unit and IMAC, recommendations will also provide an opportunity to focus effort and give greater visibility. In light of this, we have made limited new recommendations in 2023, but we have clearly indicated where the Secretariat should take action.

1.74 Following completion of this exercise, we will report progress on the implementation of all external audit recommendations with IMAC as part of our 2024 audit and provide our observations on implementation status in our report next year.

Acknowledgments

1.75 We would like to thank the Secretary-General and her staff for their continuing co-operation and in working with us to return to the normal reporting and audit cycle.

Gareth Davies

Gareth Davies

Comptroller and Auditor General, United Kingdom - External Auditor

30 May 2024

Appendix One: Prior year recommendations

Prior year recommendations

Ref.	Recommendation	Management response	External Auditor's view	Status
2022 interim report R1	enhance the timetable for the preparation of its financial statements to encompass the cleansing of accounting records, the preparation of comprehensive supporting schedules, and detailed and evidenced-based management review of the draft financial statements before their submission to External Audit, to ensure the financial statements are timely and accurate.	ITU accepts this recommendation and ITU had planned its closure process differently for the year end 2023 which included greater oversight and building the necessary schedules to support the Financial Statement process. This process will be further refined during 2024 to ensure that the financial statements will be ready in early 2025 (end February).	ITU delivered the 2023 financial operating for audit in March 2024. We have commented further in this year's report.	Implemented. Closed.
2022 interim report R2	develop an IPSAS accounting manual detailing all adopted accounting policies and to provide guidance to staff on accrual accounting to ensure that the ITU produces reliable and accurate financial statements for the Members.	ITU accepts this recommendation and has had a series of IPSAS trainings held in May 2024 to various stakeholders involved in the closure processes. This has raised awareness of the importance of IPSAS across ITU. Furthermore, ITU has used an IPSAS disclosure checklist to ensure compliance for 2023 and is currently updating its accounting policies to reflect IPSAS compliance.	We note management's response.	In progress.
2022 interim report R3	annually review the financial statement presentation against the disclosure requirements of the reporting standards and ensure that they remain relevant for users and stakeholders and seek the views of the IMAC on any proposed changes.	ITU accepts this recommendation and for the preparation of the 2023 statements ITU has used an independent disclosure checklist in the preparation of its Financial Statements. ITU will update this checklist to reflect the new IPSAS standards and will seek the views of IMAC for further feedback on it's Financial Statements.	An appropriate disclosure guide was used in the preparation of the 2023 financial statements.	Implemented. Closed.

2022 interim report R4	review the root causes of the issues identified and consider the skills and capacity needed to fully meet its financial reporting requirements to support the production of reliable and accurate financial statements.	ITU accepts this recommendation and has already reviewed the current resources with the Department of Finance. As a result ITU has taken the step to advertise two key posts that will compliment the skills necessary to produce reliable and accurate financial Statements. This post will be filled early in Quarter 3 of 2024. Furthermore, a review of the entire functions with Finance function is being undertaken.	We note management's response.	In progress.
2022 interim report R5	a) review the frequency, terms of reference and the data used to inform decision making within the senior management meetings and, b) create a systematic suite of reporting. This would provide better evidence of oversight and would lead to documented actions which are followed-up and better evidence the collective management oversight of the Union	ITU accepts this recommendation. ITU has prepared prototype management dashboards with the data points currently available and ITU will continue to work with senior management to produce better information going forward to ensure that it meets senior management needs.	We note management's response.	In progress.
2022 interim report R6	develop a roadmap for the full implementation and embedding of the Accountability Framework to ensure processes are established to deliver evidence-based assurance, and to use the annual Statement on Internal Control to provide visibility of developments to Members.	ITU accepts the recommendation and the 2024 internal control plan approved by the MCG focused on further embedding the ITU Accountability Model and Framework by focusing on outstanding internal control initiatives mentioned in the various component sections of the Framework. In particular for Component 4 – Control Activities, the plan provides for improving the process leading to the issuance of the Statement on Internal Control, including the related internal letters of representation, through prior verification and documented control monitoring activities]	We note management's response.	In progress.
2022 interim report R7	ensure that any transformation programme is sufficiently supported by a programme management office to mitigate identified risks to the change agenda and that this office is appropriately resourced with the right skills to deliver a successful change programme.	ITU accepts the recommendation and the Transformation Team has been established and is currently resourced with the Chief, Transformation Team Unit at D1 level, a Transformation Officer at P3 level, and Transformation/Project Officer at P2 level (Junior Professional Officer funded by the UK). The office also has the support of the ITU Business Intelligence Specialist. Skills within the team include process review, change management, and data analysis and visualisation. It is proposed to add one additional officer, pending approval of funding from Council, focussing on	We note management's response.	In progress.

		organizational development, project management and communications.		
2022 interim report R8	review the governance and assurance arrangements and regularly seek confirmation that the project is appropriately managed, resourced and executed to ensure the risks of a major capital programme are identified and mitigated.	ITU accepts the recommendation and project has established governance and oversight structure which includes members states advisory group (MSAG), steering committee, management board and associated technical experts. Project team has been completed with recruitment of the Head of the project who is supported by External construction project management firm. In addition, Independent Management Advisory Committee is overseeing management of the building project.	We note management's response. We have again highlighted the importance of sufficient resources being dedicated to external review for a project of this scale.	In progress.
2022 interim report R9	develop a clear statement of need for development and the benefits to be derived to enable the Union to effectively assess and achieve value for money from the investment.	Management acknowledges recommendations, The project team has carried out need's reassessment to ensure fit for purpose and fit for future building design which will be presented to the Council for approval. Implementation process envisages competitive bidding for architect and engineering services as well as for general contractor.	We note management's response. We have again highlighted the importance of a clear benefits statement to subsequent evaluation of the project's value for money.	In progress.
2022 final report R1	develop a clear plan for the delivery of high quality financial information and supporting audit trails to a realistic timetable, ensuring that all areas of the accounting record have been cleansed and reviewed prior to the preparation of financial statements	Management accepts these recommendations, noting that Financial Operating Report must be delivered by end March 2024 for an audit opinion to be provided for the June 2024 Council meeting. To adhere to this timeline, the Secretary-General and Deputy Secretary-General have initiated the formation of a task force dedicated to maintaining the progress of issuing IPSAS compliant financial statements. Executive management has concluded that the most effective approach to achieving this objective involves engaging external consultants in the short term, while concurrently launching a recruitment process to onboard ITU staff responsible for this function in the coming years. In December 2023 an External Consultancy company was hired by ITU to help the management in the preparation of the 2023 Financial Statements. In March 2024, two positions (P4 & P3) were published with view to improve the skills and competencies in Accounts division.	ITU delivered the 2023 financial operating for audit in March 2024. We have commented further in this year's report.	Implemented. Closed.

2022 final report R2	ensure the financial reporting function is appropriately resourced to deliver against the plan.	As R1 above.	ITU delivered the 2023 financial operating for audit in March 2024. We have commented further in this year's report.	Implemented. Closed.
2022 final report R3	develop its financial reporting commentary to encompass the IPSAS Board's guidance on presenting financial statements to enrich the information provided to Members, to ensure it informs an understanding of the reasons for trends and variations, identifies risks and opportunities and provides a summary of the outcomes delivered for the resources expended	Management accepts this recommendation and will work to improve its reporting going forward. A P4 position was published in March 2024 which will take up this responsibility in the future.	We note management's response.	In progress.
2022 final report R4	review its investment policy and processes, to ensure they reflect best practice and make the best return on cash resources within an agreed risk tolerance, this should be informed by external benchmarking and expertise.	Management accepts this recommendation and will follow the best UN practice of other Geneva based organizations. The Treasury Committee had its first meeting in January before the CWG FHR to kick start the review of the investment policy.	We note management's response and reiterate it in this year's report.	In progress.
2022 final report R5	review its debtor management procedures, to ensure more active follow-up and recovery actions.	Management accepts these recommendations and will continue to put together a review of outstanding amounts due to the organization, with a view to putting in place appropriate debtor management in collaboration with its Council Members and other debtors. Through the Financial Circular which is issued quarterly, the management is closely following the ITU Arrears. The Council document is issued annually to inform members and request their support to assist ITU to reduce the outstanding debt.	We note management's response.	In progress.
2022 final report R6	also ensure that budget allocations and financial decision-making take account of the realistic timings of cashflows, based on historic trends to minimise the risk of overspend	ITU management accepts this recommendation and is proposing changes to its current Financial Regulations and Financial Rules to ensure strengthening of controls around Cash and cash equivalents.	We note management's response.	In progress.
2022 final	regularly perform medical claims cost studies to support the valuation of its employee benefit liabilities	Management accepts these recommendations. On-going: Currently with the contractual agreement between ITU and AON the claims cost studies are factored in depending on the	We note management's response and reiterate the importance of earlier implementation in this year's report.	In progress.

report R7	and develop policies for updating these assumptions between full studies	nature of the report (full valuation or roll forward). The medical claims costs and census data is not updated during a roll forward as by definition, a roll forward is a roll forward from the prior valuation with an update on financial assumptions such as the discount rate and medical trend. The contract with Aon comes to an end after the deliverable of the Final Roll Forward report for the calendar year of 2024 to be delivered in February 2025. A review of the contractual agreement will be implemented to ensure the medical claims cost studies are factored in the valuation yearly. A call for bid will be launched in the 2024 for the new contract which will take this into account.		
2022 final report R8	ensure all third-party data used in the valuation of employee benefit liabilities is appropriately validated.	Management accepts these recommendations. Implemented: Recommendation R8 was fully implemented in 2024 for the data of 2023. Data from UNSMIS was tested against the data of ITUs ERP system to ensure all UNSMIS recorded insured were accurate. A policy to ensure this functioning in the future is under preparation.	We note management's response.	Implemented. Closed.
2022 final report R9	revisit its original business case for joining UNSMIS and report to Council on the associated costs and benefits to the Union of this significant investment decision.	Management accepts this recommendation and will work with other UN Agencies to ensure that it benchmarks the level of health insurance protection afforded to its retired and current staff. In 2019-2020, Council was informed through multiple channels of the rationale and process according to which ITU entered into an agreement with UNSMIS. This is reflected in the following documents, inter alia: Information to Council • Financial operating reports for the years 2019 (C20/42(Rev.1)) and 2020 (C21/42); • Progress Report by the SG on the implementation of the HR strategic plan and of Resolution 48 (C20/54); • External auditor’s report for the year 2019 (C20/40);	We note management's response.	In progress.

		• Reports by the SG on reports After-Service Health Insurance (ASHI) liability in 2020 (C20/46(Rev.1)) and 2021 (C21/46). Relevant excerpts of these documents are set out below. No Council objections or requests for further discussion on the UNSMIS contract were recorded in relation to any of these reports. IMAC was also informed verbally. Independent actuarial analysis The independent actuarial expert confirmed that the UNSMIS offer was advantageous in light of the ITU's population risk profile, which made it more sustainable for the Union and staff than running a stand-alone plan. AON concluded that "In summary, you can consider that the range of the future equalization lump sum is between 13m and 51m, whereby the 13m can be considered as an "optimistic" scenario. Therefore, we believe the financial proposal of CHF 21 million for future equalization looks like a reasonable proposal by UNSMIS. There is also a past equalization of CHF 19 million which is an arithmetic calculation."		
2022 final report R10	review all its current fund and reserve balances and the scope for rationalisation and simplification, reviewing whether balances continue to be relevant to the Union's financial plans. This should be in the context of an overall strategy for the maintenance of reserves and funds, aligned to the strategic plans of ITU.	Management accepts this recommendation and has proposed changes to the Financial Regulations and Financial Rules to improve its current fund management to promote transparency, accountability and reporting.	We note management's response and wait to see any proposals on the rationalisation and simplification of the existing reserves and fund balances.	In progress.

ANNEX 2

Financial operating report

Financial operating report

TABLE OF CONTENTS

Preface to the Financial Statements 2023

2023 was the year when digital climbed to the top of the global agenda.

From the G7 and G20 Summits to the Third United Nations Conference on the Least Developed Countries (LDC-III) and the latest World Radiocommunication Conference (WRC-23), digital technologies were front and center.

Never before have these technologies held so much potential to address the world's most pressing challenges and accelerate progress on the Sustainable Development Goals (SDGs).

As the UN agency for digital technologies, the International Telecommunication Union (ITU) rose to the occasion. ITU's driving force is the Strategic Plan for the Union for 2024-2027, adopted at the ITU Plenipotentiary Conference 2022. At its heart are universal connectivity and sustainable digital transformation.

Key highlights for 2023 included:

1. Aligning digital inclusion with the pace of digital transformation. Rapid advances and innovation in generative artificial intelligence (AI), computing and other fields dwarf the progress made in bridging the digital divide. While Internet use increased globally and, in every region, 2.6 billion people remain offline worldwide — with persistent disparities between high- and low-income countries, rural and urban areas, and men and women. ITU's efforts have focused not only on infrastructure but also on affordability, skills, safety and all the other elements that make connectivity meaningful.

2. Harnessing the potential of radiocommunications to the fullest. The agreement on updates to the Radio Regulations reached at WRC-23 identified new spectrum resources to support technological innovation, expand global connectivity, increase access to and equitable use of space-based radio resources, and enhance safety at sea, in the air and on land. These outcomes provide the legal certainty and regulatory stability needed for investment and innovation to thrive at a time when equitably managed radio-frequency spectrum and associated satellite orbits are essential to a digital future that works for all people and the planet.

3. Realizing the true value of standards. All AI governance initiatives recognize standards as a critical component. This is the latest indication of increasing attention being given to standardization in government, industry, academia, and civil society. ITU responds to this need with standards to support digital transformation from energy to healthcare, and by integrating different perspectives from human rights to sustainability. ITU standards make digital technologies more connected, efficient, affordable, safe, accessible, and sustainable. They are powerful tools for accelerating progress towards the SDGs.

4. Thinking development first. Inequalities between the world's digital haves and have-nots are widening. In high-income countries, for example, almost 90 per cent of the population is covered by a 5G network, while such service is nearly absent in low-income countries. ITU's efforts on network and digital infrastructure, policy and regulation, statistics, digital applications and inclusion, cybersecurity, capacity development, e-waste, emergency telecommunications, and other fundamental issues address all dimensions of sustainable development — economic, social, and environmental. Thus, ITU accompanies countries wherever they are in their digital transformation journey.

5. Striking the right balance between the benefits and risks of emerging technologies. The SDG Digital Acceleration Agenda launched by ITU and the United Nations Development Programme (UNDP) in September 2023 showed that game-changing digital solutions like AI can directly contribute to 70 per cent of targets under the 17 SDGs. Through the AI for Good platform and AI governance initiatives, ITU has stepped up its efforts to ensure the responsible development and deployment of AI without stifling innovation. Technical standards and capacity building are the cornerstones of an inclusive digital future, where emerging technologies empower everyone, not just a privileged few.

6. Strengthening engagement in UN processes and beyond. Throughout 2023, ITU actively participated in major UN processes — from the Doha Programme of Action for the Least Developed Countries to ongoing Global Digital Compact discussions. This strong engagement has resulted in landmark initiatives with UN sister agencies, such as the Early Warnings for All initiative, the Connectivity for Refugees initiative, and the Global AI for Health Initiative. Last year's G20 also saw ITU serve as a knowledge partner in the Development and Digital Economy tracks and take an active part in the Space Economy track.

7. Unleashing the power of partnerships. The level of commitment seen in 2023 to the Partner2Connect Digital Coalition, Giga, and other key multistakeholder partnerships is an integral part of the ITU Strategic Plan. These partnerships bring us closer to achieving universal connectivity and sustainable digital transformation and give hope to the millions who still find themselves on the wrong side of the digital divide.

If 2023 was the year when digital climbed to the top of the global agenda, 2024 could be the year when digital dominates the agenda — with the UN Summit of the Future presenting a once-in-a-generation opportunity to create a more inclusive, safe, and sustainable digital future for all.

Below you will find the analysis contained in ITU's Financial Operating Report for 2023. The forthcoming ITU Report on the implementation of the strategic plan and the activities of the Union (Document C24/35) will provide further operational details, reflecting the organization's steadfast commitment to data-driven insights and results-oriented strategies.

Introduction

1 The Financial Statements and the Financial Operating Report for the year ended 31 December 2023 are submitted in accordance with Article 30 of the Financial Regulations of the Union - Edition 2018.

2 The Financial Statements are prepared in accordance with the International Public Sector Accounting Standards (IPSAS) and cover all operations of the organization, including those funded by regular budget, extra-budgetary, operating and finance revenue.

a. The Financial Regulations specify a biennial financial period; however, in accordance with IPSAS, annual financial statements are required to be presented. ITU's biennial budget is prepared under a results-based budget format, the scope of which includes:

i. the regular budget, covering the contributions from the Member States as well as those from the Sector Members, Associates and Academia;

ii. Other operating revenue, which comprises cost-recovery revenue (including Publications, Satellite Network Filings), revenue from interest and other revenue-generating activities; and,

iii. if necessary, withdrawals from the reserve account.

b. Other revenues, including extra-budgetary funds, are not reported under the budget of the Union.

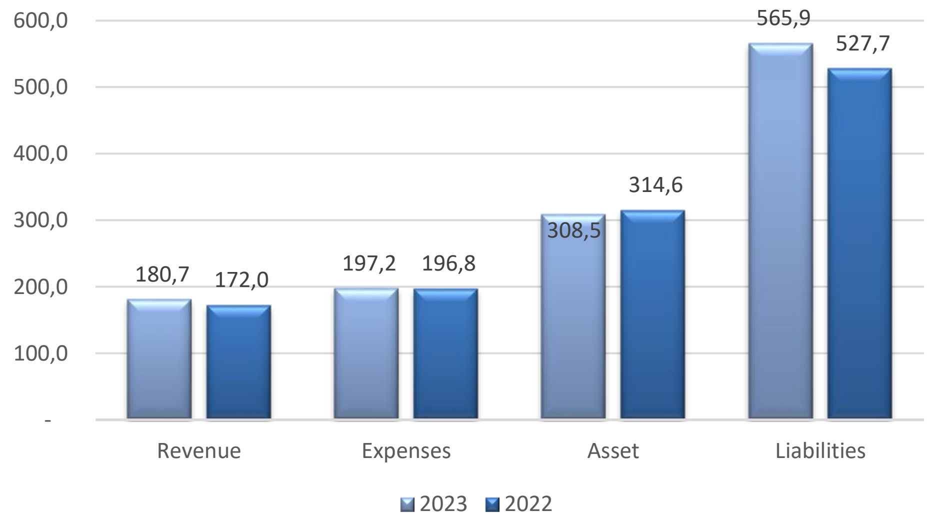
3 Reporting financial statements on an IPSAS basis has no impact on the preparation or reporting of ITU's results-based budget, which continues to be presented on a modified cash basis. As the basis of the budget and the financial statements differ, a reconciliation between the budget and the IPSAS statement of financial performance is presented under Statement V: Statement of comparison – Budget and actual amounts in Note 24 to the Financial Statements.

Financial operating report highlights for 2023

4 The Union's accounts are kept in Swiss francs. The financial statements presented include all sources of funds for ITU, including the regular budget and extra-budgetary funds.

5 Figure 1 below summarizes the financial situation of ITU in 2023 as compared to the previous year 2022.

Figure 1: Financial Situation for the years 2023 and 2022



6 As noted in Figure 1, above there is an increase in overall total revenue from 2022 compared to 2023 by CHF 8.7 million due to the increase in publications revenue (CHF 2.1 million), in other revenue (CHF 5.2 million), in extra-budgetary fund revenue (CHF 1.1 million) and satellite network fillings revenue (CHF 0.3 million). Expenses for 2023 have remained rather stable at CHF 197.2 million as compared to CHF 196.8 million in 2022, as a net result of an increase in non-staff costs, which have been partially offset by a decrease in staff costs. The next sections provide further analysis of the revenue and expenses.

7 Finance revenue / cost moved from CHF 6.5 million revenue in 2022 to CHF 8.3 million costs in 2023. The change of CHF14.8 million is mostly due to the decrease in the interest rates used for estimation of the net present value of the FIPOI loans (CHF 10.2 million), the change in realized and unrealized exchange losses (CHF 7.8 million) which is partially offset by the increase in interest earned on investments (CHF 3 million).

8 The organization's assets have decreased by CHF 6.1 million, mostly due to decreases in cash and cash equivalents, investments, and receivables offset by an increase in assets under construction of CHF 6.8 million. Liabilities have increased by CHF 38.2 million, driven by the increase in the value of the After-Staff Health Insurance (ASHI) fund and net present value of borrowings, due to changes in discount rates.

9 The 2023 deficit of CHF 24.8 million (compared to the deficit of CHF 18.3 million in 2022) is the net result of overall expenses exceeding revenue for the year for ITU as a whole. Notably, however, ITU closed the year with a surplus of CHF 1.4 million with respect to the implementation on the budget, which is detailed documented in Statement V and further described in Note 24 of the Financial Statements.

Financial performance

Revenue

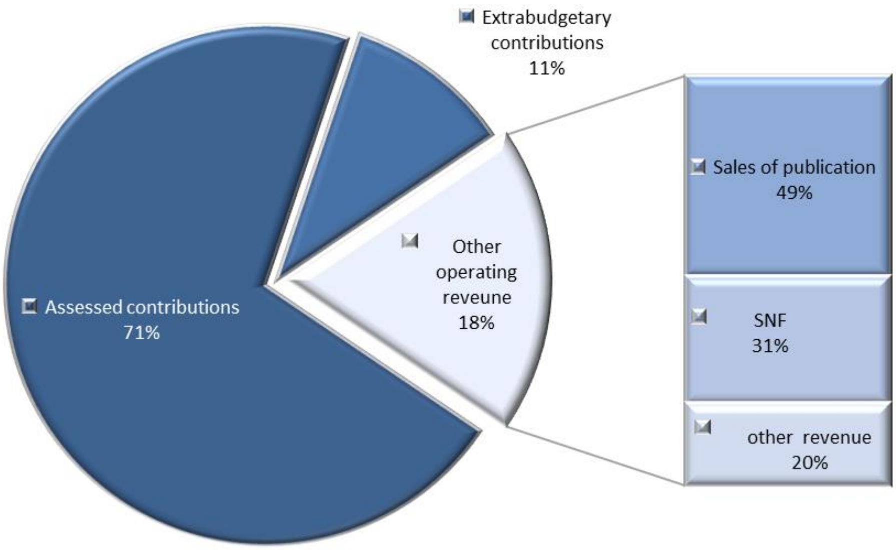
10 ITU revenues in 2023 amounted to CHF 180.7 million, compared to CHF 172.0 million in 2022. Table 1 below shows the major sources of revenue for both 2023 and 2022. Revenue for assessed and extrabudgetary contributions has increased by CHF 1.1 million. Revenues from publications and satellite network filings have increased by CHF 2.4 million. Other revenue has increased by CHF 5.2 million.

11 Despite a financial income of CHF 4.6 million on short-term investments placed during the year, the overall financial performance of the organization is negative due to the following two factors: the realized foreign exchange losses on short-term investments (CHF 3.6 million) due to strengthened Swiss franc compared to the US dollar and the Euro in 2023; and an exposure of unrealized losses on investments of CHF 2.6 million as at 31 December 2023 with maturity in 2024.

Table 1 – Revenue sources 2023 and 2022

Description (CHF millions)	2023	2022
Assessed contributions	127.6	127.6
Extrabudgetary contributions		
- Voluntary contributions	*3.9*	3.9
- Trust fund contributions	*15.1*	14.0
Total Extrabudgetary contributions	*19.0*	*17.9*
Other operating revenue		
- Publications	*16.7*	14.6
- Satellite Network Filings (SNF)	*10.6*	10.3
- Other revenue	*6.8*	1.6
Total - Other operating revenue	*34.1*	*26.5*
Total Revenue	**180.7**	**172.0**

Figure 2 – Revenue Analysis breakdown for 2023



12 As can be seen from Figure 2 above, the main source of revenue for ITU is assessed contributions representing 71 per cent, followed by other operating revenue representing 18 per cent which included the sales of publications and the satellite network filings (SNF).

13 Extra-budgetary contributions recognised for 2023 make up 11% of all revenue (CHF 19.0 million) (CHF 17.9 million in 2022). The reason for the increase is due to the increased implementation rate in 2023 compared to 2022 of trust funds.

14 The implementation of the Funds in Trust (FIT) projects generated a revenue of CHF 1.014 million in 2023 (CHF 0.941 million in 2022) as support cost.

Expenses

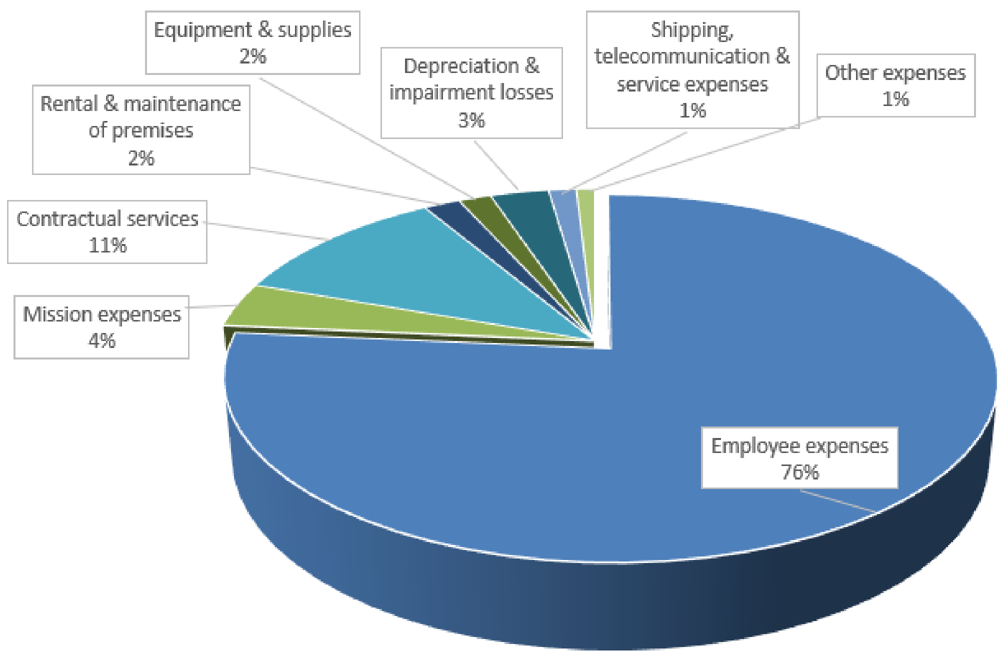
15 In 2023, ITU's expenses amounted to CHF 197.2 million (CHF 196.8 million in 2022) which represented a 0.2% increase compared to 2022. Table 2 shows the comparison of expenses for 2023 compared to 2022. It is noted that the biggest expense, employee expenses in 2023 is slightly lower than in 2022 and offsets the increases in non-staff expenses in 2023. The main increase for 2023 is related to the travel expenses which have increased to CHF 7.8 million surpassing the 2019 pre-COVID level of CHF 7.7 million. This is mostly due to the conferences held during the year.

Table 2 – Comparison of expenses for 2023 to 2022

Expressed in CHF '000	2023	2022
Employee expenses	150,724	153,510
Mission expenses	7,788	5,589
Contractual services	21,821	20,527
Rental and maintenance of premises and	3,537	2,860
Equipment and supplies	3,150	2,460
Depreciation and impairment losses	5,660	9,495
Shipping, telecommunication and service	2,673	2,242
Other expenses	1,808	122
Total Expenses	**197,161**	**196,805**

16 Figure 3, comparison of expenses in 2023, shows the breakdown of expense by nature, which highlights ITU’s high level of staff costs which account for 76% of all costs. Contractual services are the next biggest category of expense at 11% which is comparable to 2022. Other expenses increased in 2023 due to the increase of the provision for the doubtful receivables.

Figure 3 – Composition of expenses in 2023 (CHF 197.2 million)



Financial position

17 On 31 December 2023, the organization had negative net assets of CHF 257.4 million, with total assets of CHF 308.5 million and total liabilities of CHF 565.9 million as shown in table 3 below. The net assets were lower by CHF 44.3 million compared to 2022. This was largely due to changes in the discount rates and assumptions used for the ASHI valuation in 2023 as compared to 2022. These changes have resulted in an increase in the After-Service Health Insurance (ASHI) liability of CHF 31.2 million from CHF 344.1 million to CHF 375.3 million. Addressing the model for long-term staff benefits is a critical requirement for this trend to change.

Table 3 – Summary of Assets, Liabilities, Net assets

Expressed in CHF millions	2023	2022	Variation
Asset	308.5	314.6	(6.1)
Liabilities	(565.9)	(527.7)	(38.2)
Net assets	(257.4)	(213.1)	(44.3)

Assets

18 Current assets exceed current liabilities by CHF 118.5 million (compared to CHF 128.3 million in 2022), mostly due to the significant level of cash and cash equivalents. As at 31 December 2023, cash and cash equivalent amounted to CHF 155.9 million, as compared to CHF 193.9 million in 2022.

Assessed contributions-receivables

19 The collection of assessed contributions has a direct impact on ITU's liquidity position, and, as such, is extremely important for the smooth implementation of ITU's appropriated regular programme budget. While the Plenipotentiary Conference approves the operation of the reserve fund at a minimum level of 6% (CHF 10 million), this represents only three weeks of expenses, essential to maintain the operability of the organization. The reserve fund currently stands at CHF 26.3 million, representing 9 weeks of programme budget expenses for 2023. The collection rate for the year ended 31 December 2023 was around 92%, as compared to 93% at December 2022.

20 Gross assessed contributions are due and payable to ITU in accordance with its Constitution and Financial Regulations. As required under IPSAS, an allowance is made when payment of contributions is not expected as per the financial regulations and rules.

Liabilities

21 Total liabilities as at 31 December 2023 amounted to CHF 565.9 million (compared to CHF 527.7 million as at 31 December 2022).

Employee Benefits

22 The most significant liabilities were the future employee benefits accrued by staff members and retirees. The After-Service Health Insurance (ASHI) liability alone represents 71% of ITU's total liabilities as at 31 December 2023. This ASHI liability has increased by CHF 31.1 million in 2023 compared to 2022. This was mostly driven by a decrease in the discount rate.

23 ITU finances payments due under its ASHI liability on a pay-as-you-go basis. Resolution 1405 of the budget for 2022-2023 includes a withdrawal of CHF 1 million each biennium from the reserve account to finance this long-term liability. In accordance with IPSAS-39, no plan assets have been offset against the liability; however, an amount of CHF 14 million has been accumulated in the ASHI Special Account as at 31 December 2023 to cover future liabilities.

Long Term Borrowings

24 ITU currently has four interest-free loans with the Fondation des Immeubles pour les Organisations Internationale (FIPOI). As of 31 December 2023, three of these loans are reflected in the financial statements at fair value. The fourth loan currently does not have a repayment schedule and is therefore valued at amortized cost until repayments under this loan begin. Further information is available under Note 16. The benefit received by ITU, as a result of the interest free loans was estimated at CHF 0.93 million in 2023.

Budget result vs IPSAS result

25 Statement V of the financial statements was prepared based on the regular budget of ITU's Budget Framework and provides a view of the utilization of the appropriated regular budget on a modified cash basis. On that basis, the organization achieved a surplus against the appropriated regular budget of CHF 1.4 million.

26 A reconciliation between budgeted results and IPSAS results is included in the financial statements (Statement V). Note that the financial performance statement (Statement II) includes other areas, such as extra-budgetary contributions, depreciation, and other entity differences that are not included in the budget. Statement V highlights the major differences in the Budget of the organization to the overall revenue and expenses.

Responsibility

27 As provided for in Article 30 of the Financial Regulations of the Union, the following financial statements have been prepared in accordance with IPSAS. The financial statements and notes thereto form an integral part of this document and present an accurate view of the Union's financial situation at 31 December 2023.

I. Statement of financial position as at 31 December 2023

II. Statement of financial performance for the year ended 31 December 2023

III. Statement of changes in net assets for the year ended 31 December 2023

IV. Statement of cash flows for the year ended 31 December 2023

V. Statement of comparison: Budget and actual amounts for the year ended 31 December 2023

External audit of the Union

28 Pursuant to Article 28 of the Financial Regulations and Financial Rules, and in accordance with Decision 621 of the Council 2020 at its second virtual consultation, The National Audit Office of United Kingdom of Great Britain and Northern Ireland was appointed as External Auditor of the Union's accounts, in a manner decided by the ITU Plenipotentiary Conference and for a four-year term.

Statement on Internal Control for 2023

INTERNATIONAL TELECOMMUNICATION UNION, GENEVA

Statement on Internal Control for 2023

Scope of responsibility

As Secretary-General, I am accountable for the administration of ITU, for the implementation of its mandate, programmes and other activities. In accordance with Nos 73 bis and 75 of the Constitution (Article 11), and Articles 1, 10, 16, 28, 29 and 30 of the Financial Regulations and Financial Rules, the responsibilities assigned to me include maintaining a system of internal controls designed to provide reasonable assurance on the achievement of objectives while ensuring reliable financial and non-financial reporting, effective and efficient operations, and compliance with regulations, rules, service orders and policies, including the prevention and detection of fraudulent activities.

Control framework and effectiveness review

As Secretary-General of ITU, I recognize the dynamic nature of the global environment in which ITU operates. I have taken steps to ensure that ITU's internal controls are improving and adapt to emerging challenges. This involves a systematic approach to better embed risk management in business processes, enhance our information systems, and foster an accountable and transparent culture.

These efforts are guided by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) Internal Control – Integrated Framework. The COSO framework provides a comprehensive model for effective organizational governance and risk management, emphasizing five interrelated components: control environment, risk assessment, control activities, information and communication, and monitoring activities.

Enhancing Internal Controls Since January 2023

Upon assuming office as Secretary-General on 1 January 2023, I initiated efforts to refine ITU's internal controls to better serve our evolving organizational needs. ITU is in the process of further developing the transformation plan which was approved in July 2023. The Transformation Roadmap was presented to and approved by Council 2024, together with initial funding from budget savings. Council also decided that the secretariat should seek to fund the implementation of the Transformation from regular budget allocations going forward. This transformation aims at improving administrative processes, support systems, and internal controls throughout my tenure.

Establishment and work of the Oversight Unit

In September 2023, following approval by the ITU Council, I established the Oversight Unit, which encompasses internal audit and investigation functions. An evaluation function will be added in 2024. The Oversight Unit, and particularly the internal audit function, provides independent assurance about the effectiveness of our internal control system and will contribute to enhanced transparency and accountability. With respect to the investigations function, the Oversight Unit was assigned six cases in 2023 for investigation. All six cases were finalized, of which two cases were closed with unsubstantiated allegations. Three of the remaining four cases do not have any financial impact. One specific case for CHF 57 000 has questionable transactions and has been reported to the External Auditor during 2023.

Responsibilities and Accountability

In line with the Financial, Staff Regulations, and Rules, I have delegated authority and accountability to Elected Officials and senior management, ensuring that every ITU staff member contributes to our robust internal control environment. The Elected Officials and senior management are tasked with the effective application of internal controls within their areas of authority. Assurance of compliance is obtained through internal letters of representation signed by Elected Officials and senior management, confirming their adherence to our internal control and use of ITU funds. ITU implemented a self-assessment questionnaire focused on internal control objectives. In 2024, we will further our review of self-assessment questionnaires and internal letters of representation to provide feedback to senior management on areas of possible improvement.

New ITU Accountability Model and Framework

The ITU Council endorsed a new Accountability Model and Framework in March 2022. We are advancing our management dashboards to deliver real-time business data from our ERP system and other sources, facilitating dynamic trend analysis and reporting. These enhancements are regularly reviewed with the Coordination Committee, the Management Coordination Group, and oversight bodies. Council 2024 requested that the Oversight Unit include in its 2025 workplan a review of the high-risk components of the accountability framework.

Implementation of Oversight Recommendations

Recommendations from the Oversight Unit, Joint Inspection Unit, Independent Management Advisory Committee, and External Auditors are being addressed. These recommendations inform our ongoing measures to fortify governance, risk management, and control activities.

Review of Effectiveness as of 2023

ITU introduced a corporate compliance dashboard in November 2020 to monitor and implement recommendations from our oversight bodies and the forensic audit of 2021. A comprehensive review conducted in August 2023 identified key operational, strategic, and fiduciary risks, informing the continuous update of our Corporate Risk Register.

Key Internal control matters during 2023

In 2023, the International Telecommunication Union (ITU) conducted a thorough assessment of its internal control systems through various mechanisms, including self-assessment questionnaires and oversight assignments. This analysis highlighted several areas for improvement which are essential to enhancing our governance, risk management, and internal controls. To systematically address the top key internal control issues, we have structured our initiatives around the five key components of the COSO framework noted above. Detailed below are the key internal control matters identified during 2023, and action taken.

1. Control Environment

Leadership commitment: Our executive team sets the "tone at the top," demonstrating dedication to ethical practices and robust governance in line with the ITU constitutive regulatory framework, while ensuring that appropriate reporting structures are in place and cascade down and across the organization with clear delegation of authority, responsibility, and related accountability. The executive team is also committed to fostering a workplace culture built on competence, respect, and service to our membership. To that end, the team has paid close attention to the results of the 2023 staff survey with remedial actions for improvement where needed.

Declaration of Interests: Senior Management remains vigilant in overseeing and strengthening our internal control system, particularly in areas like consultant use and adherence to our Declaration of Interests Policy. The annual Declaration of Interests exercise, updated in 2022 to include Special Service Agreement holders, underscores our commitment to ethical governance. However, further work is required to ensure compliance on a timely basis and future follow-up on declarations not received.

The Oversight Unit's findings Underscore the need for enhanced governance and control effectiveness. Executive managers have committed to addressing these through recommended actions, with the Oversight Unit monitoring progress via the compliance dashboard. Additionally, the Independent Management Advisory Committee continues to provide expert guidance to me and the ITU Council, ensuring the effectiveness of our governance and internal control system.

Transformation update: The ITU is undergoing a significant transformation, driven by the need to address evolving challenges in its operations and service delivery and the roadmap has been approved by the Council 2024. This transformation has been guided by the EY report on digital excellence and has been instrumental in setting a blueprint particularly through its comprehensive Enterprise Architecture assessment. This assessment marks a crucial first step in the ITU's journey towards modernization, as it lays the groundwork for addressing key challenges identified within the organization. By re-evaluating and optimizing its enterprise architecture, the ITU aims to enhance its efficiency, adaptability, and overall effectiveness in fulfilling its mission. This transformation is not only about improving current systems but also about preparing the organization for future demands and technological advancements.

Transformation Team creation: The Council in 2023 approved the creation of the ITU Transformation Team with a mandate to support the transformation of ITU towards organizational excellence. An interim Chief was appointed, effective 11 December 2023, to build the Transformation team and to finalize the details and the timeline of the Transformation roadmap. The Transformation Roadmap was presented to and approved by Council 2024, together with initial funding from budget savings. Council also decided that the secretariat should seek to fund the implementation of the Transformation from regular budget allocations. The appointment of a Chief Transformation Team was completed and the selected staff member will join ITU in September 2024.

Results Based Management (RBM): In July 2023, the Council noted the Financial Transformation Plan under document C23/50. As per this plan, ITU will improve the accountability, transparency, and effectiveness of the organization’s programmes through RBM. This will help to further ensure transparency on prioritization across the organization and effective resource allocation. Initial scoping has begun based on current processes and related systems. Further significant work is required in this area and is part of the transformation roadmap.

2. Risk Assessment

Risk Management processes: ITU risk management process, covering the identification, assessment and risk responses are recorded in a corporate risk register. Through the current update of the corporate risk register, the coverage was extended to include risks related to human resources management and procurement activities. In addition, significant risks are brought to the attention of the Management Coordination Group.

However, the systematic embedding of Enterprise Risk Management (ERM) remains a challenge due to the uneven clarity regarding objectives that ought to cascade down and across the department, division, or unit level. The strengthening of result-based management – the approach for the articulation of strategic and operational objectives at ITU needed to anchor ERM – is already part of Senior Management 2024 plan to improve the internal control system.

3. Control Activities

Financial reporting improvements: The Financial Statements 2022 were signed off in January 2024 and work has continued on several key areas to improve ITU reporting for 2023 and future years. This work led to revised accounting policies, improved quality on reconciliations and a thorough review of ITU financial year end closure practices. ITU has been supported by external expertise to ensure we can meet our IPSAS reporting requirements for 2023 and has also reinforced the workforce by creating two additional posts to support accounting and financial reporting services in the longer term. Further work will be undertaken on financial reporting processes during 2024 to ensure that ITU improves in this key area. Ongoing enhancements are practical steps in strengthening ITU's control activities to ensure reliability and integrity of financial reporting.

Cancelation of ex-gratia payments: The decision to cancel these payments and propose the abolishment of Article 10.4 demonstrates a commitment to ethical standards and integrity. Indeed, in 2023, Council approved the proposed modification so that no further payments can be made by the Secretary-General. No ex-gratia payments have been made.

4. Information and Communication

Portal Email and Corporate Intranet: Regular updates are provided through these platforms, covering a variety of topics essential to internal control processes. This includes information on Teleworking Arrangements, reminders about UNDSS trip requirements, updates on Service Orders and notices about the abrogation of outdated Office Memoranda.

Town Hall Meetings: Control-related information is also communicated to staff during regular Town Hall meetings, ensuring widespread awareness and compliance across the organization.

These mechanisms ensure that all personnel are informed on internal control requirements critical to organizational integrity and regulatory compliance.

*New building project updates: Proceeding with t*he new building project is awaiting a final decision by the majority of Member States. ITU has recently recruited a new Head of Building Project and Facilities Management division as from 1 May 2024. The project is overseen by the Deputy Secretary-General. Its governance structure includes the New Building Management Board (operational level) and the Steering Committee (strategic level), which include all relevant parts of the ITU Secretariat including the Staff Council, as well as the Member States Advisory Group (MSAG). The Secretariat presented an update in January 2024 to the CWG-FHR. The new proposal for the alternative reassessed project, with an adjusted scope and within the available budget, was submitted by the Secretary-General and approved by the ITU Council in June 2024 (Decision 640). Proceeding with the tendering, design, dismantling of the Varembé building, and subsequent construction is pending a final decision by the majority of ITU Member States, in accordance with No. 79 of the ITU Convention, with results expected by 31 August 2024.

5. Monitoring Activities

Evaluation of ERP controls: In 2023, ITU retained an external expertise to conduct a thorough review of our Enterprise Resource Planning (ERP) system, focusing on potential segregation of duty conflicts, weaknesses, and compliance issues, including in relation to critical activities and sub-processes susceptible to be exploited for fraudulent activities. From 2024 onwards, these reviews will be undertaken annually given the growing centrality of the ERP system in ITU business processes. In addition, ITU is considering oversight recommendation to acquire and include the Governance, Risk Management, and Compliance (GRC) component to our ERP system.

Conclusion and future commitments

The Statement of Internal Control for ITU for the year ended 31 December 2023 demonstrates our commitment to enhancing the system of internal controls to guarantee the effective and efficient operation of the organization, alongside compliance with relevant regulations and policies. Throughout the year, progress has been achieved, notably with the establishment of an Oversight Unit and the effective implementation of recommendations from both internal and external audits. The audits conducted by the Oversight Unit in 2023 have led to the conclusion that while our internal control system is moderately adequate, it still requires targeted enhancements to improve effectiveness.

As ITU moves forward, we are dedicated to seeking to improve and enhance internal controls. I am committed to transparency, increased accountability, and strengthening our governance structures. By implementing recognized best practices and fostering a robust culture of integrity and compliance, ITU can achieve its strategic objectives more effectively and efficiently in the forthcoming years. This work is iterative and ongoing, reflecting our commitment to continuous improvement in the control environment to meet both current needs and future challenges.

Doreen Bogdan-Martin

Secretary-General

Geneva, 27 September 2024

External audit opinion

INDEPENDENT AUDITOR'S REPORT TO THE INTERNATIONAL TELECOMMUNICATION UNION

Opinion on financial statements

I have audited the financial statements of the International Telecommunication Union for the year ended 31 December 2023, which comprise the

- Statement of Financial Position as at 31 December 2023,
- Statement of Financial Performance, Statement of Changes in Net Assets, Statement of Cash Flows and Statement of comparison – Budget and actual amounts for the year then ended, and
- the related notes, including the significant accounting policies.

In my opinion, the accompanying financial statements present fairly, in all material respects the financial position of the International Telecommunication Union as at 31 December 2023 and its financial performance and its cash flows for the year then ended in accordance with International Public Sector Accounting Standards.

Emphasis of matter – impairment of assets under construction arising after the reporting date

Without qualifying my opinion, I draw attention to the disclosure in Note 27 to the financial statements in relation to the impact of the 2024 Council Decision on the valuation of new building costs capitalised as assets under construction. As at 31 December 2023, CHF 19.7 million of costs relating to the project are recorded as assets under construction. The disclosure explains that based on analysis performed by management to date, these costs will be impaired in 2024 as a result of the Council Decision to approve the alternative building project. My audit opinion is not modified in respect of this matter.

Opinion on regularity

In my opinion, in all material respects, the revenue and expenses have been applied to the purposes intended by the Council of the International Telecommunication Union and the financial transactions conform to the International Telecommunication Union's Financial Regulations.

Basis for opinions

I conducted my audit in accordance with International Standards on Auditing (ISAs) and the International Telecommunication Union's Financial Regulations. My audit of regularity was undertaken using the principles set out within the ISAs. My responsibilities under these standards are further described in the *Auditor's responsibilities for the Audit of the Financial Statements* section of my report.

I am independent of the International Telecommunication Union in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA Code.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinions.

Other Information

Management is responsible for the other information. The other information comprises information included in the Financial Operating Report, but does not include the financial statements and my auditor's report thereon.

My opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in my report, I do not express any form of assurance conclusion thereon.

My responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated.
If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact.
I have nothing to report in this regard.

Responsibilities of Management for the financial statements
Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Public Sector Accounting Standards, and for such internal control as management determines is 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, management is responsible for assessing the International Telecommunication Union's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the International Telecommunication Union or to cease operations, or has no realistic alternative but to do so. Management and those charged with governance are responsible for overseeing the International Telecommunication Union's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements
My 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 to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it 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,

- I exercise professional judgment and maintain professional scepticism throughout the audit.
- I identify 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 my 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 override of internal control.
- I obtain an understanding of internal control relevant to the audit to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the International Telecommunication Union's internal control.
- I evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- I conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the International Telecommunication Union's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the International Telecommunication Union to cease to continue as a going concern.
- I evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

In addition, I am required to obtain evidence sufficient to give reasonable assurance that the revenue and expenses reported in the financial statements have been applied to the purposes intended by the Council of the International Telecommunication Union and the financial transactions confirm to the Financial Regulations which govern them.
I 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 I identify during my audit.

I also provide those charged with governance with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.

Report
I issued a long-form report to the June Council on my 2023 audit. I have no further issues to report.

Gareth Davis

Gareth Davis **Date: 1 October 2024**
Comptroller and Auditor General
National Audit Office
157-197 Buckingham Palace Road
London, SW1W 9SP
United Kingdom

Financial Statements

Statement I: Statement of Financial Position

As at 31 December 2023

(In thousands of CHF)

Description	Notes	31 December 2023	31 December 2022 (restated)
ASSETS			
Current assets			
Cash and cash equivalents	7	155 868	193 868
Investments	8	35 070	13 860
Receivables - exchange transactions	9	6 446	5 333
Receivables - non-exchange transactions	9	13 132	9 211
Inventories		-	307
Other receivables	10	6 238	5 441
Total current assets		**216 754**	**228 020**
Non-current assets			
Property, plant and equipment	11	59 459	63 412
Intangible assets	12	2 949	3 431
Assets under construction	13	26 597	19 769
Receivables - non-exchange transactions, non-current	9	2 780	-
Total non-current assets		**91 785**	**86 612**
Total ASSETS		**308 539**	**314 632**
LIABILITIES			
Current liabilities			
Payables	14	13 042	10 541
Contributions received in advance	15	50 544	50 823
Deferred revenue	15	3 590	6 761
Borrowings and financial debts	16	1 391	1 391
Employee benefits	17	527	245
Provisions	18	1 778	1 459
Other debts	19	3 057	2 230
Third-party funds	20	24 359	26 226
Total current liabilities		**98 288**	**99 676**
Non-current liabilities			
Borrowings	16	51 657	46 940
Employee benefits	17	398 861	368 472
Allocated third-party funds, non-current	20	17 088	12 601
Total non-current liabilities		**467 606**	**428 013**
TOTAL LIABILITIES		**565 894**	**527 689**
TOTAL NET ASSETS		**(257 355)**	**(213 057)**
ITU reserve account	4	26 271	28 388
Other reserves & funds	4	65 557	64 322
Extrabudgetary funds	4	13 353	14 036
ASHI actuarial gains/(losses)	17	31 911	51 435
Accumulated Surpluses/(deficit)		(394 447)	(371 238)
RESERVES AND FUNDS BALANCES		**(257 355)**	**(213 057)**

Statement II: Statement of Financial Performance

As at 31 December 2023
(In thousands of CHF)

Description	Notes	31 December 2023	31 December 2022 Restated
REVENUE	21		
Assessed contributions		127 562	127 613
Extra-budgetary Contributions		18 952	17 965
Other operating revenue		34 145	26 473
Total revenue		**180 659**	**172 051**
EXPENSES	22		
Employee expenses		150 724	153 510
Mission expenses		7 788	5 589
Contractual services		21 821	20 527
Rental and maintenance of premises and equipment		3 537	2 860
Equipment and supplies		3 150	2 460
Depreciation and impairement losses		5 660	9 495
Shipping, telecommunications and service expenses		2 673	2 242
Movement in impairment / provision		4	(2 807)
Other expenses		1 804	2 929
Total expenses		**197 161**	**196 805**
Finance revenue / (cost)	21	(8 272)	6 489
Surplus/(deficit) for the period		**(24 774)**	**(18 265)**

Statement III: Statement of Changes in Net Assets

As at 31 December 2023

(In thousands of CHF)

Description	ITU Reserve Account	Other reserves & funds	Extra-budgetary Reserves	ASHI actuarial gains / (losses)	Accumulated surplus / (deficit)	Net assets Total
31 December 2021	**29,388**	**68,063**	**16,621**	**(164,075)**	**(360,781)**	**(410,784)**
Surplus/(deficit) for the year 2022 (Restated)		(4,440)	(2,886)		(10,941)	**(18,267)**
Other adjustments	(1,000)	699	301	215,510	485	**215,995**
31 December 2022	**28,388**	**64,322**	**14,036**	**51,435**	**(371,238)**	**(213,057)**
Surplus/(deficit) for the year 2023	(2,117)	1,235	(683)		(23,209)	**(24,774)**
Other adjustments				(19,524)		**(19,524)**
31 December 2023	**26,271**	**65,557**	**13,353**	**31,911**	**(394,447)**	**(257,355)**

For further information, see Note 4.

Statement IV: Statement of Cash Flows

For the year ended 31 December 2023
(In thousands of CHF)

Description	Notes	31 December 2023	31 December 2022 Restated
Cash flow from operating activities			
Total Surplus (deficit) for the period	Statement II	(24,774)	(18,266)
Depreciation and amortisation	11, 12	5,660	9,495
ASHI provision	22	11,645	13,976
(Increase) / decrease in receivables	9	(6,706)	7,360
(Increase) / decrease in other receivables	10	(1,084)	884
(Increase) / decrease in inventories		307	160
Increase / (decrease) in payables	14	2,497	3,086
Increase / (decrease) in contributions received in advance	15	(279)	(2,749)
Increase / (decrease) in deferred revenue	15	(3,172)	394
Increase / (decrease) in employee benefits - current	17	282	(179)
Increase / (decrease) in provision	18	319	87
Increase / (decrease) in other debts	19	827	(2,732)
Increase / (decrease) in employee benefit - non-current	17	(780)	77
Increase / (decrease) in third-party funds	20	2,621	(8,657)
Provision for doubtful receivables	9	(1,786)	(5,662)
Increase / (decrease) on revaluation of long-term borrowings	16	4,055	(6,176)
Interest (received) / paid	21	(4,559)	(1,523)
Unrealized exchange-rate gains/losses on operations	21	17	(617)
Cash flow from operating activities		**(14,910)**	**(11,041)**
Cash flows from investing activities			
Interest received from short-term investments	21	4,559	1,523
Investments purchased during the year	8	(75,802)	(59,746)
Proceeds from the sale of investments	8	52,928	67,161
Unrealized exchange-rate gains/losses on investments	21	2,614	950
Acquisition of property, plant and equipment	11	(86)	(283)
Acquisition of intangible assets	12	(773)	(3,286)
Increase in Assets under construction	13	(7,191)	(6,347)
Net cash flows from investing activities		**(23,751)**	**(28)**
Cash flows from financing activities			
Repayment of long term borrowings	16	(1,391)	(1,391)
Increase in long term borrowings	16	2,053	2,517
Net cash flows from financing activities		**662**	**1,126**
Net increase / (decrease) in cash and cash equivalents		**(37,999)**	**(9,943)**
Cash and cash equivalents at opening of period	**7**	193,868	**203,811**
Cash and cash equivalents at closure of period		**155,868**	**193,868**

Statement V: Statement of comparison – Budget and actual amounts

For the year ended 31 December 2023

(In thousands of CHF)

	Budgeted amounts			Actual amounts on a comparable basis	Difference - final budget and actual amounts
	Initial Budget - 2023	Budget transfers - 2023	Final budget - 2023		
Revenue					
Assessed contributions	125,710	191	125,901	126,027	(126)
Cost recovery	36,500	-	36,500	28,674	7,826
Interests	300	-	300	2,935	(2,635)
Other revenue	200	-	200	630	(430)
Payment into to ICT and Building Funds	(1,250)	-	(1,250)	(1,250)	-
Saving from budget implementation	1,734	-	1,734	-	1,734
Total revenue	**163,194**	**191**	**163,385**	**157,016**	**6,369**
Expenses					
General Secretariat	90,307	-	90,307	86,564	3,743
Radiocommunication Sector	32,455	-	32,455	29,943	2,512
Telecommunication Standardization Sector	13,195	-	13,195	12,451	744
Telecommunication Development Sector	27,237	191	27,428	26,634	794
Total expenses	**163,194**	**191**	**163,385**	**155,592**	**7,793**
Programme Budget surplus				**1,424**	
Basis differences				(19,306)	
Entity differences				(6,892)	
Total IPSAS Differences				**(26,198)**	
Surplus/Deficit as shown in the statement of financial performance				**(24,774)**	

The interest earnings of CHF 2.9 million mentioned above are net of a CHF 0.5 million write-off. This write-off, approved by the Secretary-General in 2023, results from realized losses on extrabudgetary grants incurred between 2010 and 2020.

Further information on basis and entity differences is contained in Note 24.

Notes to the financial statements

Note 1 Objectives of the Union

The International Telecommunication Union (ITU) is the United Nations specialized agency for information and communication technologies (ICTs). As a global focal point bringing together governments and private sector, ITU assists the world in communicating through the General Secretariat and the three sectors: the Radiocommunication Sector, the Telecommunication Standardization Sector and the Telecommunication Development Sector. ITU fully recognizes each State's sovereign right to regulate its telecommunications.

ITU, was the entity with prime responsibility for organizing the World Summit on the Information Society.

The organization is made up of 193 Member States and over 1000 companies, universities, and international and regional organizations. Headquartered in Geneva, Switzerland, and with regional offices on every continent, a United Nations liaison office in New York and a coordination unit at headquarters for Europe. ITU is the oldest agency in the UN family – connecting the world since the dawn of the telegraph in 1865. Its headquarters is Place des Nations, 1211 Geneva 20, Switzerland.

The purposes of the Union are:

– to maintain and extend international cooperation among all its Member States for the improvement and rational use of telecommunications of all kinds;

– to promote the development of technical facilities and their most efficient operation with a view to improving the efficiency of telecommunication services, increasing their usefulness, and making them, as far as possible, available to the public;

– to promote the extension of the benefits of the new telecommunication technologies to all the world's inhabitants;

– to promote the use of telecommunication services with the objective of facilitating peaceful relations;

– to harmonize the actions of Member States and promote fruitful and constructive cooperation and partnership between Member States and Sector Members in the attainment of those ends; and

– to promote, at the international level, the adoption of a broader approach to the issues of telecommunications in the global information economy and society, by cooperating with other world and regional intergovernmental organizations and those non-governmental organizations concerned with telecommunications.

To this end, the Union shall in particular:

– effect allocation of bands of the radio-frequency spectrum, the allotment of radio frequencies and the registration of radio-frequency assignments and, for space services, of any associated orbital position in the geostationary-satellite orbit or of any associated characteristics of satellites in other orbits, to avoid harmful interference between radio stations of different countries;

– coordinate efforts to eliminate harmful interference between radio stations of different countries and to improve the use made of the radio-frequency spectrum for radiocommunication services and of the geostationary-satellite and other satellite orbits;

– facilitate the worldwide standardization of telecommunications, with a satisfactory quality of service;

– foster international cooperation and solidarity in the delivery of technical assistance to the developing countries and the creation, development and improvement of telecommunication equipment and networks in developing countries by every means at its disposal, including through its participation in the relevant programmes of the United Nations and the use of its own resources, as appropriate;

– coordinate efforts to harmonize the development of telecommunication facilities, notably those using space techniques, with a view to full advantage being taken of their possibilities;
– foster collaboration among Member States and Sector Members with a view to the establishment of rates at levels as low as possible consistent with an efficient service and considering the necessity for maintaining independent financial administration of telecommunications on a sound basis;
– promote the adoption of measures for ensuring the safety of life through the cooperation of telecommunication services;
– undertake studies, make regulations, adopt resolutions, formulate recommendations and opinions, and collect and publish information concerning telecommunication matters;
– promote, with international financial and development organizations, the establishment of preferential and favorable lines of credit to be used for the development of social projects aimed, *inter alia*, at extending telecommunication services to the most isolated areas in countries; and
– promote participation of concerned entities in the activities of the Union and cooperation with regional and other organizations for the fulfillment of the purposes of the Union.

The Plenipotentiary Conference is ITU's supreme organ. Convened every four years, the conference:

• determines the Union's general policies;
• adopts four-year strategic and financial plans;
  examines the accounts of the Union and finally approve them, if appropriate;
  elects the Member States which serve on the Council;
  elects the Secretary-General, the Deputy Secretary-General, and the Directors of the Bureaux of the Sectors as elected officials of the Union; and
• elects the members of the Radio Regulations Board.

The Plenipotentiary Conference is the key event at which ITU Member States decide on the future role of the organization, thereby determining the organization's ability to influence and affect the development of ICTs worldwide.

In conformity with Article 10 of the Constitution, the Council shall be composed of Member States elected by the Plenipotentiary Conference in accordance with the provisions of No. 61 of this Constitution. In the interval between Plenipotentiary Conferences, the Council shall act, as governing body of the Union, on behalf of the Plenipotentiary Conference within the limits of the powers delegated to it by the latter:

I. The Council shall take all steps to facilitate the implementation by the Member States of the provisions of this Constitution, of the Convention, of the Administrative Regulations, of the decisions of the Plenipotentiary Conference, and, where appropriate, of the decisions of other conferences and meetings of the Union, and perform any duties assigned to it by the Plenipotentiary Conference;
II. The Council shall consider broad telecommunication policy issues in accordance with the guidelines given by the Plenipotentiary Conference to ensure that the Union's policies and strategy fully respond to changes in the telecommunication environment. The Council shall prepare a report on the policy and strategic planning recommended for the Union, together with their financial implications, using the specific data prepared by the Secretary-General under Article number 74A below;
III. It shall ensure the efficient coordination of the work of the Union and exercise effective financial control over the General Secretariat and the three Sectors; and
IV. It shall contribute, in accordance with the purposes of the Union, to the development of telecommunications in the developing countries by every means at its disposal, including through the participation of the Union in the appropriate programmes of the United Nations.

Sector Members, regional telecommunication organizations and intergovernmental organizations, the United Nations, and its specialized agencies, likewise participate in the conference as observers.

Note 2 Basis for preparation and presentation

The 2023 Financial Statements have been prepared on the accrual basis in accordance with the International Public Sector Accounting Standards (IPSAS) as developed and approved by the International Public Sector Accounting Standards Board (IPSASB). The financial year is from January to December. They have been prepared using the historical cost convention.

The ITU Financial Regulations and Financial Rules stipulate a biennial budgetary period; however, for a meaningful comparison with the 2023 financial statements, the budget for 2023 is presented on an annual basis in Statement V (Statement of comparison – Budget and actual amounts).

The statement cash flow (Statement IV) is prepared using the indirect method.

ITU has applied and complied with the requirements of the IPSAS standards in force at 1 January 2023, and the accounting principles applied are described in Note 3. Values are rounded to the nearest thousand, also denoted as CHF millions and / or thousands unless otherwise stated. Due to rounding, numbers presented in the notes below may not add up precisely.

ITU has prepared the financial statements on the basis it will continue to operate as a going concern, after taking into considerations the approved budget, funding forecast and the existing and anticipated effects of uncertainties relevant to the organization's activities.

Restatements and changes in presentation or classification of items in the comparative information

The change in the Net Present Value of the loan (CHF6.176 million), directly recognised within Statement of Changes in Net Assets in the 2022 Financial Operating Report, has been included in the 2023 Statement of Financial Performance. As a result, the Statement of Cash Flow has been restated along with Note 21, Finance revenue / (costs).

The line Receivables non-exchange transactions in Note 9 (CHF 12.5 million in 2022) was reduced by CHF 3.25 million for the sponsorship collections received during the year. The corresponding reductions was recorded in Deferred Revenue (Note 15).

The following comparative information has been reclassified or re-presented to improve the quality of presentation and to achieve consistency with current financial year and other disclosures:

- The line Deferred Revenue in Note 15 (CHF 10.8 million in 2022) was reduced as per the above to CHF 1.7 million and was disaggregated into Satellite Network filing (CHF 5.1 million in 2022) and new building sponsor. The line Contributions – Extra budgetary (CHF 0.798 million) has been reclassified under Extra budgetary funds in the line Third-party funds to be received (Note 20: Extra budgetary funds). Such funds are related to agreements signed and invoiced in 2023 for which the collection is expected in 2024.,
- The line Allocated third-party funds (CHF 35.4 million in 2022) included in Note 20 Extra budgetary funds, was disaggregated into non-current and current portion, of CHF 12.6 million and CHF 22.8 million, respectively,
- Within Finance revenue, note 21, Realized exchange loss (CHF 1.0 million in 2022) was disaggregated into Realized exchange gains on investment of CHF 1.9 million and Realized exchange loss on operations of CHF 2.9 million. Such breakdown allows to present separately the effects of the realized foreign exchange impacts on investments and on operational recurring activities,
- The lines Petty cash in CHF and Petty cash in foreign currency and the lines Bank current accounts in foreign currencies and Deposit accounts in EUR, as shown in Note 7 of the 2022 financial report, have been condensed in Petty cash and Bank current accounts in foreign currencies, respectively, to simplify the presentation.

In addition, the assets under construction have been disaggregated to provide separate disclosure of the amounts incurred in the new building project.

ITU has taken the decision to write off inventory in the 2023 Financial statements due to the immateriality of inventory values, all items were expensed. This approach ensures clarity and focus on more significant financial data, facilitating more straightforward and meaningful analysis. These assets are still controlled, but no value is ascribed in the financial statements.

Future accounting changes

As of 31 December 2023, the date of the Statement of Financial Position, the following IPSAS Standards had been issued, but had not taken effect:

Standard	Title	Effective date	Potential Impact in year of adoption
IPSAS 43	Leases	01 January 2025	Supersedes IPSAS 13 (Leases) and introduces right-of-use model for leases. It sets out the principles for recognition, measurement, presentation, and disclosure of leases. This new standard has currently no major impact on ITU's financial statements as ITU currently has no material leases. However, considering the development and the scope of this new standard, ITU will carefully review its accounting policy and systems to be ready for the entry into force of this standard.
IPSAS 44	Non-current assets held for sale and discontinued operations	01 January 2025	This new standard specifies the accounting for non-current assets held for sale and presentation and disclosure of discontinued operations. An analysis will be carried out to evaluate the potential impact on ITU's financial statements.
IPSAS 45	Property, plant and equipment	01 January 2025	IPSAS 45 replaces IPSAS 17, Property, Plant, and Equipment by adding current operational value as a measurement basis in the updated current value model for assets within its scope, identifying the characteristics of heritage and infrastructure assets, and adding new guidance on how these important types of public sector assets should be recognized and measured. Although this new standard is not expected to have major impact on ITU's financial statements as ITU currently does not have material heritage and infrastructure assets, a thorough review is ongoing to comply with the new standard.
IPSAS 46	Measurement	01 January 2025	IPSAS 46 provides new guidance in a single standard addressing how commonly used measurement bases should be applied in practice. It brings in generic guidance on fair value for the first time, and introduces current operational value, a public sector specific current value measurement basis addressing constituents' views that an alternative current value measurement basis to fair value is needed for certain public sector assets. ITU is currently quantifying the impact of this standard on its financial accounts.
IPSAS 47	Revenue	01 January 2026	IPSAS 47, Revenue is a single source for revenue accounting guidance in the public sector, which presents two accounting models based on the existence of a binding arrangement. This new standard provides focused guidance to help entities apply the principles to account for public sector revenue transactions. ITU is currently quantifying the impact of this standard on its financial accounts.
IPSAS 48	Transfer expenses	01 January 2026	IPSAS 48, Transfer Expenses provides accounting guidance for transfer expenses, which account for a significant portion of expenditures for many public sector entities. This new standard fills a significant gap in the IPSASB's literature and provides guidance to help entities account for public sector transfer expense transactions. ITU is currently quantifying the impact of this standard on its financial accounts.

ITU continues to assess the impact of the above standards on future financial statements in advance of their effective date.

Furthermore, ITU continues to monitor the development of the exposure drafts (EDs) and actively engages with the work of the IPSAS Board through the United Nations System Task Force on Accounting Standards, noting that their application may have an impact on ITU's future financial statements.

Note 3 Significant accounting policies

3.1 Functional currency rate of exchange

The Swiss franc (CHF) is ITU's functional currency, and the one used in the presentation of the financial statements. Transactions in currencies other than the Swiss franc are converted into Swiss francs at the United Nations operational rate of exchange (UNORE) at the date of the transaction. Monetary assets and commitments denominated in foreign currencies are converted into Swiss francs at the UNORE rate of exchange in force at the date of closure of the financial period. Exchange-rate losses and gains, realized or unrealized, resulting from the settlement of such transactions and from conversion of the assets and commitments denominated in foreign currencies at the date of closure are recorded in the Statement of Financial Performance (Statement II).

3.2 Financial instruments

ITU's financial instruments include cash and short-term deposits, investments, receivables from exchange and from non-exchange transactions, trade payable, loans, and borrowings.

3.2.1 *Cash and cash equivalents*

Cash and cash equivalents comprise cash on hand and cash at bank and short-term deposits with maturity of three months or less.

3.2.2 *Investments*

Fixed-term deposits with a maturity beyond three months and up to nine months that are highly liquid, convertible into a known cash amount and subject to a negligible risk of change in value and are recorded at amortized cost as per IPSAS 41. Investments are presented in the statement of financial position as current.

3.2.3 *Financial liabilities and FIPOI loan*

Financial liabilities comprise borrowings, other financing, suppliers, and trade payables. They are shown on the statement of financial position as current or non-current liabilities according to whether they fall due in less than or more than one year, respectively.

The amounts shown as borrowings in these financial statements consist of interest-free borrowings granted by the Fondation des Immeubles pour les Organisations Internationale (FIPOI) for funding for the construction of the ITU buildings.

ITU accounts for loans at fair value. The outstanding amount of the loans has been discounted using the Swiss Confederation 30-year bonds rate of 0.499% at December 2023 (1.476% for 2022). Further details are contained in Note 16.

The reimbursement of the loan granted for the new ITU premises will start only after the successful delivery of the new building. This loan is recognized initially at amortized cost and will subsequently be measured at fair value. The treatment of this loan will follow a similar approach to other concessionary loans from FIPOI. At present, ITU's building project has not commenced, and no repayment plan has been arranged. As soon as new information is available, ITU will reflect these decisions in its financial statements.

The ITU Headquarters Buildings are situated on land owned by the Canton of Geneva. ITU has surface rights to the land owned by the Canton of Geneva. Under the surface rights agreement (the "droits de superficie") ITU has rights to use the land until 31 December 2079. ITU does not own the land, surface rights were granted at no cost. No value for land has been recognized as ITU cannot dispose of these rights in a commercial transaction. The useful life used for calculating depreciation of the ITU headquarters buildings is the lower of the useful life of the relevant components of the ITU Headquarters Buildings or the duration of the underlying surface rights agreement.

3.2.4 *Receivables*

ITU's receivables are classified as receivables and loans are non-derivative financial assets with fixed or determinable maturity dates that are not traded on an active market. They originate when ITU enters a contractual arrangement with a third party and remain so until the cash transfers associated with those financial assets have been executed and the associated risks and benefits have likewise been transferred to ITU. Such assets are classified as current assets, except those having maturity dates beyond 12 months after the date of closure, which are classified as non-current assets.

Receivables are divided into two distinct categories: receivables from exchange transactions, such as those resulting from the sale of publications or satellite network filing; and receivables from non-exchange transactions, notably those relating to assessed contributions made to ITU but also voluntary contributions and sponsorships.

Receivables are recognized at amortized cost. This is adjusted against the provision for doubtful debts when reviewing doubtful debts at the time of the annual closure of the accounts.

ITU assesses at each reporting date whether there is objective evidence that a financial asset is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events, occurring after the initial recognition of the asset, have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. The carrying amount of the asset is reduced using an allowance account and the amount of the loss is recognized in surplus or deficit. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to revenue in surplus or deficit.

3.3 Introduction of new IPSAS

Two new significant accounting standards have been reviewed for the financial year 2023: IPSAS 41, Financial Instruments, and IPSAS 42, Social Benefits.

The IPSAS 42 standard is designed to establish the principles and requirements for recognizing, measuring, and presenting social benefits in financial statements. Upon review, it has been determined that IPSAS 42 has not impacted ITU's financial statements and therefore has not been adopted.

IPSAS 41: this new standard replaces IPSAS 29, enhancing the principles for the financial reporting of financial assets and liabilities. This standard is pivotal in assessing the amounts, timing, and uncertainty of future cash flows for an entity. Notably, the adoption of IPSAS 41 has influenced our financial statements with regard to disclosure notes. The changes encompass terminology adjustments and introduce the requirement for Expected Credit Loss (ECL) calculations. ITU has leveraged guidance from the Finance and Budget Network of the United Nations in implementing this standard. Further information on the implementation of this standard is contained in Note 5.

Classification and measurement of financial instruments of ITU

Financial instruments are recognized from the trade date when ITU becomes a party to the contractual provisions of the instrument until the rights to receive cash flows from those assets have expired or have been transferred and the Organization has transferred substantially all the risks and rewards of ownership.

The principles of IPSAS 41 in relation to the financial reporting of financial assets have been applied in the preparation of these financial statements, and in that respect, the following criteria have been considered in determining the classification and measurement of the financial assets and liabilities:

a) the business model for managing the financial assets and liabilities; and
b) the contractual cash flow characteristics of the financial assets and liabilities.

These classification criteria determine which of the measurement bases to apply under IPSAS 41 for each category of financial asset or liability: amortized cost, fair value through net assets/equity, or fair value through surplus or deficit.

The financial assets and liabilities have been classified under IPSAS 41 as follows:

Classification of financial assets

Cash and cash equivalents

Cash and cash equivalents include current or deposit accounts, money market instruments (90 days or below) which involve one or two cash flows, the repayment of the principal and interest dependent on the applicable rate. Cash held in bank accounts includes cash held by ITU at headquarters and country offices in various currencies. Accounts are held in order to collect contractual cash flows. Current and deposit accounts are therefore classified as measured at amortized cost, in accordance with IPSAS 41 paragraph 40.

Loans and receivables

Receivables from non-exchange transactions, voluntary contribution agreements, other receivables and Investments in term deposits and other related instruments are measured at amortized cost. ITU does not hold investments in equity instruments or derivatives in its current portfolio.

The table below presents the classifications of the most common financial asset types of ITU which was determined based on a group of financial assets per ITU's Management model and the Solely Payment of Principal and Interest (SPPI) test to conclude on the respective classification category:

Category of Financial Assets	IPSAS 41 Analysis	IPSAS 41 Classification
Cash & Cash Equivalents	Cash in bank and on hand – convertible & non-convertible, cash in money market demand accounts and term deposits & financial investments with a maturity of 3 months or less	Amortized cost
Financial Investments	ITU does not hold investments in equity instruments or derivatives in its current portfolio. Financial investments are comprised of fix-term deposits with a maturity between 3 and 9 months	Amortized cost
Receivables	Accounts Receivables are mainly comprised of assessed contributions and voluntary contribution receivables. In addition, ITU holds other miscellaneous receivables and due for advances to employees, prepayments etc …	Amortized cost
Derivatives (not currently applicable)	ITU does not operate with derivatives to manage foreign exchange risk and would, if used, be contracted with creditworthy counterparties in accordance with ITU's relevant investment guidelines.	Fair Value Through Surplus and Deficit

Classification of financial liabilities

Financial liabilities are to be subsequently measured at:

- Amortized cost, measured using the effective interest method, or
- Fair value through surplus or deficit (FVSD)

There is no change in classification of financial liabilities for the Entity as a consequence of IPSAS 41 adoption.

Category of Financial Liabilities	IPSAS 41 Analysis	IPSAS 41 Classification
Accounts payable and accrued liabilities	Payables and accruals arising from the purchase of goods and services are recognized initially at fair value and subsequently measured at amortized cost when goods/services are delivered/rendered and accepted by ITU.	Amortized cost
Contributions received in advance	Not a financial liability because those are not expected to be settled with cash.	N/A
Funds held on behalf of third parties	ITU's financial statements do not contain liabilities for cash held by ITU on behalf of third parties.	Amortized cost
Derivative liabilities (Held for trading) (not currently applicable)	ITU does not operate with derivatives to manage foreign exchange risk and would, if used, be contracted with creditworthy counterparties in accordance with ITU's relevant investment guidelines.	Fair Value Through Surplus and Deficit
FIPOI Loans	ITU currently has four interest free loans with the Fondation des Immeubles pour les Organisations Internationale (FIPOI). Three loans are level 2 of the Fair value hierarchy and are recognized at fair value, while the fourth loan does not yet have a repayment schedule and is therefore recognized at amortized costs.	Fair Value Through Surplus and Deficit (for three FIPOI loans) and Amortized cost (the fourth FIPOI loan currently without repayment schedule)
All financial liabilities other than those at fair value through surplus or deficit	An entity shall classify all financial liabilities as subsequently measured at amortized cost.	Amortized cost
Other liabilities	• Unearned income is not a financial liability. • ITU does not have Finance lease liabilities, that would be measured according to IPSAS 13, Leases. • Employee benefit liabilities are not financial liabilities	In accordance with relevant standards

Under IPSAS 41, a single forward-looking impairment model is applied which requires the recognition of expected credit losses at all times.

The IPSAS 41 impairment model was applied to financial assets that are classified as at amortized cost, specifically cash and cash equivalents, investment portfolio and receivables. The calculation of the expected credit losses for all financial assets were not material in the context of these financial statements, and which are therefore not disclosed.

3.4 Inventory

In 2023, due to the immateriality of inventory values, all items were expensed. These assets are still controlled by ITU, but no value is ascribed in the financial statements.

3.5 Property, plant and equipment

Property, plant and equipment (PP&E) held by ITU are valued at historical cost less accumulated depreciation and accumulated impairment losses.

Additions

The cost of an item of PP&E is recognized as an asset if it is probable that future economic benefits or service potential associated with the item will flow to ITU and the cost of the item can be measured reliably. When an asset is donated, its initial cost is measured as the fair value of the asset as at the date of acquisition.

Disposals

Gains and losses on disposal are determined by comparing the proceeds with the carrying amount of the asset and are included in the Statement of Financial Performance.

Subsequent costs

Costs incurred after initial acquisition are capitalized only when it is probable that future economic benefits or service potential associated with the item will flow to ITU and the cost of the item can be measured reliably.

Goods with a value equal to or higher than CHF 5,000 are capitalized at the time of receipt and subsequently depreciated on a straight-line basis.

Goods with a value lower than CHF 5,000 are capitalized at the time of receipt and subsequently depreciated in full at the year of acquisition.

Where a fixed asset comprises, several significant components having different useful lives, each component is recognized separately. Depreciation is calculated on a straight-line basis according to the estimated useful life of each item, with a final residual period, if applicable. The residual values and useful lives of assets, as well as the depreciation methods, are reviewed, and adjusted, if necessary, at each annual closure.

Property and equipment acquired in connection with projects conducted under extra-budgetary activities (projects of the United Nations Development Programme, nationally executed projects, and voluntary contributions) are fully recognized as expenses in the statement of financial performance at the monthly closure following acquisition as they are not controlled by ITU.

The table below illustrates the estimated useful life for assets.

Categories and subcategories of property, pland and equipment and intangible assets	Estimated useful life (in years)
Property, plant and equipment	
Buildings	
- Structure	60
- Envelope (flat roof, insulation, sealing…)	40
- Envelope (metal façades, aluminium window-frames…)	40
- Interior finishing (raised flooring, partitions…)	25
- Interior finishing (floor, wall and ceiling coverings…)	25
- Special equipment	25
- Technical installations (electricity)	50
- Technical installations (plumbing)	40
- Technical installations (heating, ventilation)	30
- Transport facilities	40
- Other building assets	10
Machinery and equipment	5
Furniture and fixtures	5
Vehicles	5
Computer hardware	3
Intangible assets	
IT licences and software	3 - 10 *

* The estimated useful life of acquired IT licenses and software is based on the duration of the license contracts. The estimated useful life of internally developed software is based on the analysis performed by the respective business owners', as ITU owns the software and therefore there is not a set duration of the underlying licenses.

At each annual closure date, ITU assesses whether there is any indication that an asset may be impaired. If any such indication exists, the recoverable amount of the asset is estimated, and an impairment loss is recorded in the statement of financial performance when the carrying amount exceeds the recoverable amount. During 2023 there has been a detailed review of the Asset Under Construction and Note 27 details the process and scenarios available to ITU.

3.6 Intangible assets

Intangible assets (IT licenses and software) held by ITU, comprise of internally developed and externally acquired assets. They are recognized at historical cost less accumulated amortization and impairment losses.

Software developed in-house is capitalized if it is probable that ITU will benefit from future economic benefits or service potential attributed to them. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Union are recognized as intangible assets when the following criteria are met at the closing date:

- it is technically feasible to complete the software product so that it will be available for use;
- management intends to complete the software product and use or sell it;
- there is an ability to use or sell the software product;
- it can be demonstrated how the software product will generate probable future economic benefits;
- adequate technical, financial, and other resources to complete the development and to use or sell the software product are available; and the expenditure attributable to the software product during its development can be reliably measured.

Capitalization Thresholds:

- Intangible assets (IT licenses and software) acquired externally with a value less than CHF 5,000 are capitalized and fully depreciated within the same fiscal year to facilitate inventory tracking.
- Intangible assets (IT licenses and software) acquired externally with a value of CHF 5,000 and above are capitalized and depreciated over a default period of three years unless the agreement specifies an expiry date (licenses and, software), in which case the useful economic life aligns with the contractual terms.
- Internally developed intangible assets (software) with a value exceeding CHF 50,000 are capitalized and assigned a minimum useful economic life of three years. The determination of the useful economic life considers recommendations from business owners, aligning with business needs and anticipated future economic benefits. Only directly attributable development costs, including personnel costs engaged in software development and an appropriate portion of relevant overheads, are capitalized. Costs related to research phases are expensed.

Amortization and Maintenance:

Amortization for capitalized assets is calculated using the straight-line method over their estimated useful lives, which may be extended based on business needs and the duration of expected future economic benefits.

Costs associated with maintaining intangible assets are expensed.

3.7 Provisions

Provisions cover obligations for which the outcome, the due date or amount payable is uncertain. Provisions are recognized when ITU has a legal or constructive obligation resulting from a past event, when it is probable that an outflow of resources will be required to settle the obligation and when the amount of the obligation can be reliably estimated.

3.8 Contingent assets and liabilities

Contingent assets and liabilities are possible rights or obligations arising from past events and whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within ITU's control.

Contingent liabilities are disclosed where a possible obligation is uncertain but can be measured, or where ITU has a present obligation but cannot reliably measure the possible outflow of resources. At present ITU has no contingent assets and no material contingent liabilities.

3.9 Employee benefits

The following employee benefits are recognized:

– Short-term employee benefits are expected to be settled within 12 months of the reporting date and are measured at their nominal values based on accrued entitlements at current rates of pay. Short-term employee benefits comprise first-time employment benefits (assignment grants), regular monthly benefits (wages, salaries, allowances) and other benefits (education grant, home leave, etc.). An expense is recognized when employees render service to ITU, and a liability is recognized for an entitlement that has not been settled at the reporting date.

– Other long-term employee benefits are benefits which are expected to be settled more than 12 months after the end of the reporting period and relate to repatriation grants, and accumulated leave. The liability recognized for repatriation grants is the present value of the defined benefit obligations at the reporting date. This liability is calculated by an independent actuary using the Projected Unit Credit Method. Interest cost, current service costs and actuarial gains or losses arising from changes in actuarial assumptions or experience adjustments are recognized in the statement of financial performance.

– Obligations concerning the After-Service Health Insurance (ASHI); and

– Obligations relating to the former pension plan to define ITU's obligations at the date of closure of the period.

ITU is a member organization participating in the United Nations Joint Staff Pension Fund (UNJSPF), which was established by the United Nations General Assembly to provide retirement, death, disability, and related benefits to employees. The Fund is a funded, multi-employer defined benefit plan. As specified by Article 3(b) of the Regulations of the Fund, membership in the Fund shall be open to the specialized agencies and to any other international, intergovernmental organization which participates in the common system of salaries, allowances, and other conditions of service of the United Nations and the specialized agencies.

The plan exposes participating organizations to actuarial risks associated with the current and former employees of other organizations participating in the Fund, with the result that there is no consistent and reliable basis for allocating the obligation, plan assets and costs to individual organizations participating in the plan. ITU and the UNJSPF, in line with the other participating organizations in the Fund, are not able to identify ITU's proportionate share of the defined benefit obligation, the plan assets and the costs associated with the plan with sufficient reliability for accounting purposes. Hence, ITU has treated this plan as if it were a defined contribution plan in line with the requirements of IPSAS 39 Employee Benefits. ITU's contributions to the plan during the financial period are recognized as expenses in the Statement of Financial Performance.

As of 1 January 2020, ITU joined the United Nations Staff Mutual Insurance Society against sickness and accident (UNSMIS). ASHI obligations are the subject of an actuarial study pursuant to IPSAS 39 to identify and recognize the amount of ITU's future liability in relation to the corresponding benefits.

ITU's ASHI obligations provides the right to benefit from ASHI coverage which is acquired and accumulated during the retirees' active service in the organization. The liability recognized for this plan is the present value of the defined benefit obligations at the reporting date. The liability is calculated by an independent actuary using the Projected Unit Credit Method. Interest cost and current service costs are recognized on the statement of financial performance as a component of staff costs. Actuarial gains or losses arising from changes in actuarial assumptions or experience adjustments are directly recognized in net assets.

The assumptions concerning ITU are described in the Notes 17 and 18 relating to employee benefits.

3.10 Recognition of revenue

Non-exchange revenue

In accordance with IPSAS requirements, revenue from assessed contributions, voluntary contributions and sponsorships received or confirmed through a binding agreement are recognized as non-exchange transaction as per IPSAS 23: Revenue from Non-exchange Transactions.

- Assessed contributions:

Assessed contributions refer to contributions from Member States, Sector Members and Associates. The Plenipotentiary Conference establishes the upper limit of the contributory unit to serve as the basis for calculating the Union's revenue for the biennial budgets for the next four years. Member States and Sector Members are free to choose their class of contribution for defraying Union expenses in accordance with the relevant provisions of the ITU Constitution, and pay, in respect of the year of their accession or admission, a contribution calculated as from the first day of the month of accession or admission. This revenue is used to implement the Union's activities as defined by the Plenipotentiary Conference.

The assessed contributions are recognized as revenue on an annual basis, on the first day of the year to which they relate.

- Voluntary contributions and sponsorships:

Voluntary contributions and sponsorships are initially recognized as revenue at the time the agreement between ITU and the donor becomes binding and when control over the underlying asset is obtained unless the agreement includes conditions as per definitions under IPSAS 23.

Agreements containing such conditions require initial recognition of a liability and deferral of revenue recognition until such time as the liability is discharged through performance of the specific conditions included in the agreement and an enforceable return obligation to return the amounts if they are not used in the specified manner. The amount recognized as a liability is the best estimate of the amount required to settle the obligation at the reporting date.

In the situation where agreements are signed, no contributions are received, and the agreement relates to future financial periods then it is recognized as deferred revenue.

- Allocated third-party funds (statement of financial position)

  This refers to funding provided by third parties to support the Union in implementing projects in developing and least-developed countries. Such contributions are tied to contractual conditions. Such fundings are recognized as revenue only where donors have committed in writing and as expenses are incurred. Funded projects begin only once the funds have been paid to ITU. At the financial period's closure, the unused balance of such funding is recognized in the third-party allocated funds in the statement of financial position. In some specific and exceptional cases, the funds are paid to ITU as a reimbursement of expenses already incurred.

- Allocated third-party funds are distributed as follows (statement financial position):

  i. *Trust funds*

  Trust funds are voluntary contributions with specific and restrictive utilization. These contributions generate support costs during the execution and implementation of the projects. In 2023 the implementation of the project generated CHF 1.014 million in support costs which were charged to the project and paid to the ITU budget.

  ii. *Voluntary contributions*

  Voluntary contributions are received from donors to complement specific regular budget activities like seminars, working groups, study groups, training, and fellowships. Voluntary contributions can finance long-term activities. Voluntary contributions do not generate any support costs.

  ITU maintains accounts for voluntary contributions in the currency of the contribution and manages the projects based on the budget allocated in the currency of the funding, unless otherwise specified.

Exchange revenue

The following revenue meet the definition of exchange transactions under IPSAS 9 – Revenue from Exchange Transactions are accounted in accordance with this standard.

ITU ‘s revenue from exchange transactions is measured at the fair value of the consideration received or receivable and are recognized as goods and services are delivered.

Exchange revenue comprise the products and services for which ITU applies the principle of cost recovery, namely:

– publication sales: Revenue from sales of publications is recognized at the time when the publications are dispatched, and revenue from sales of services involving access to ITU statistics and data in electronic form is recognized at the time when the data become accessible;

– processing of satellite network filings: revenue from satellite network filings is recognized at the time when the final publications of the filing have been done in the BR International Frequency Information Circular (IFIC); when a publication in the IFIC is not effective in the year of the initial invoicing the service is considered as non-finalized and the revenue will therefore be deferred up to the final publication in the IFIC;

– registration of universal international freephone numbers (UIFN: ITU receives contributions upfront for providing services for the registration of universal international freephone numbers (UIFN) and the registration of universal international premium-rate numbers (UIPRN) and universal international shared-cost numbers (UISCN).

3.11 Segment reporting

Segment reporting is based on ITU’s main activities and sources of financing and is consistent with the constitutional structures of the organization and other funds established to manage the financial resources organization. The segments reflect ITU’s work programme for 2022-2023:

– General Secretariat;
– Radiocommunication Sector (ITU-R): Management of international resources, namely the radio-frequency spectrum and satellite orbits;
– Telecommunication Standardization Sector (ITU-T): Shaping harmonized working methods and establishment of flexible collaboration mechanisms to meet market needs;
– Telecommunication Development Sector (ITU-D): Provision, under affordable conditions, of equitable and sustainable access to ICTs;
– New Building fund which represents the project on the construction of the new headquarters premises;
– Old pension fund which regroups the provident fund and the assistance fund;
– Extra-budgetary funds which comprise UNDP funds, trust funds, ICT Development Fund, and voluntary contributions and ITU TELECOM.

On account of the nature of ITU's activities, Member State contributions, tangible and intangible fixed assets are used jointly by all its Sectors and are not managed by the individual Sectors.

Inter-segment transfers include revenue and expense arising from transfers between segments. Such transfers are accounted for at cost for each segment and eliminated on consolidation.

For the purpose of the segment reporting, an allocation of these revenue and expenses to the four Sectors (including the General Secretariat) of ITU has been made based on the budget figures. The ASHI annual Adjustment has been allocated based on the headcount of each Sector.

The Union's assets and liabilities, other than those representing its net assets, fall under the ownership or responsibility of the organization as a whole and do not constitute assets and liabilities of its component parts. Extra budgetary funds do not have any fixed assets. Assets and liabilities represent a wide range of activities that are common to the constituent parts of the Union. Any allocation of assets and liabilities to the different Sectors would inevitably be arbitrary and incoherent. It would thus run counter to the principles of IPSAS 18. It is for this reason that individual assets and liabilities are not segmented.

3.12 Statement of comparison – Budget and actual amounts

The budget of the Union for 2022-2023 is based on Decision 5 (Rev. Dubai, 2018) entitled "Income and expenditure for the Union for the period 2020-2023" and the Strategic Plan for the Union for 2020-2023 set out in Resolution 71 (Rev. Dubai, 2018).

Furthermore, the programme budget is coordinated with the operational plans of the Sectors and the General Secretariat.

Pursuant to IPSAS 24, the annual financial statements include a comparison between budgeted amounts and actual amounts (Statement V). The budget of the Union for 2022-2023 is composed of two annual budgets. A budget estimate has been made for each of the financial years.

The final budget for 2023 was approved by the Council at its 2021 session by Resolution 1405 (C21/97). Statement V contains a comparison of the budget and actual amounts. Since the budget and the financial statements were not prepared on the same basis, Statement V contains a reconciliation between the budget and the Statement of financial performance (Statement II). The Entity differences reflect the incorporation of extra budgetary funds in the Union's financial statements, while the Basis differences reflect expenses and revenue that are not included in the budget of ITU or treated differently under IPSAS requirements. Further details can be found under Note 24.

Note 4 Management of net assets

The Union's net assets consist of:

- ITU reserve account;
- Other reserves and funds;
- Extra-budgetary reserves;
- ASHI actuarial gains / (losses) through net assets and
- Accumulated surplus / (deficit).

ITU Reserve Account

In accordance with No. 485 of the Convention and Article 27 of the Financial Regulations, the Reserve Account is maintained from unused appropriations. Variations in the Reserve Account are detailed in the statement of changes in the net assets of the Union. It is made up of:

a) the positive or negative net balance from the regular budget implementation for each financial year;

b) transfers from other reserves/funds as decided by the Council; and

c) any amounts to be credited to the Reserve Account as prescribed by the accounting standards common to the organizations of the United Nations system.

Notwithstanding the provisions of Article 13, § 4 b) of the Financial Regulations, bearing in mind the need to maintain the Reserve Account at a minimum level determined by the plenipotentiary conference, withdrawals may be made from the Reserve Account by special decision of the Council, *inter alia*, for:

a) reducing the amount of the contributory unit;

b) balancing the budget of the Union;

c) transfers to other reserves/funds; or

d) any amounts to be debited to the Reserve Account as prescribed by the accounting standards common to the organizations of the United Nations system.

The movements on the ITU Reserve Account are noted in the table below.

Description (CHF '000)	31 December 2023	31 December 2022
Opening balance - 01 January 2022 and 2023	28,388	29,388
Allocation of surplus from Budget 2023	1,424	
Voluntary Separation Programme - ITU Council 6 of Decision 5 (Rev. Bucharest, 2022)	(3,410)	
Investigation costs - ITU Council ninth plenary meeting Decision 613	(131)	
Transfer to ASHI fund		(1,000)
Total	**26,271**	**28,388**

At 31 December 2023, the assets of the Reserve Account stood at CHF 26.3 million (CHF 28.4 million in 2022). The assets of the Reserve Account represent 16.3% of the 2023 budget, which is significantly above the 6% threshold stipulated in Decision 5 (Rev. Dubai, 2022). To enhance the management of ITU's Reserve Account and ensure its adequacy in meeting liquidity and operational requirements, a more detailed and comprehensive analysis will be conducted. This analysis will serve to safeguard the organization against any potential financial contingencies that may arise in the future.

Other reserves and funds

Other reserves and funds include:

- The savings from previous year;
- The investment fund which comprises the building maintenance fund and the ICT fund;

  Council 2016, Decision 588, decided to replace the Varembé building by a new construction (herein called “new building”) that would also include the offices and facilities of the Tower building, and complement the Montbrillant building which would be retained and refurbished. An interest-free loan of up to CHF 150 million to finance this project has been granted by the Swiss Confederation.

- The New building reserve;

  this reserve was created to complement the budget financed through the loan granted by the host country. This additional budget represents CHF 20.14 million received from sponsors, donations and from savings allocated further to the 2018 surplus. Virtual Consultation of Councillors (VCC) 2021 revised *decide 4* of Decision 619 to allow for future sponsorships or donations under predefined conditions.

- The risk register fund;

  the risk register fund was created for unforeseen cost overruns for the new building project. At 31 December 2023, the risk register fund amounted to CHF 3.43 million.

- The welfare fund;
- The centenary fund;
- The ITU Staff Superannuation and Benevolent Funds (SS&BF) comprise the Reserve and Complement fund, and the Assistance fund;

  They 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 UNJSPF. The most recent calculation of the obligations to be provisioned for beneficiaries of the ITU Staff Superannuation and Benevolent Funds was made on 31 December 2011 (CHF 54,000). As this is not material, no further valuation was undertaken.

  Pursuant to Resolution 7 (Geneva, 1959), the staff of ITU is affiliated, as from 1 January 1960, to the UNJSPF. Under Article 86 of the Regulations of the ITU Staff Superannuation and Benevolent Funds, those Funds are managed by the Union. The assets of the Funds are invested in trustee securities.

  Since 2013 other funds also include a fund dedicated to the long-term funding of the ASHI unfunded liability, as well as the new health insurance fund, which constitutes the guarantee fund for ITU new ITU health Insurance scheme since 2014.

The movement in ITU of other reserves and funds are shown in the table below.

Description (CHF '000)	31 December 2023	Surplus / (deficit) - 2023	31 December 2022
Other reserves			
- Savings from previous year	**2,771**	(453)	**3,224**
- Decision 619 (expenses 2022)	***1,037***	*(453)*	***1,490***
- Deficit Financed from Resolution 1405 (Bucharest)	***1,734***	-	***1,734***
Investment fund	**13,476**	(1,373)	**14,849**
New Building Reserve	**23,278**	2,851	**20,427**
Risk Register fund	**3,430**	-	**3,430**
Welfare fund	**314**	(34)	**348**
Centenary fund	**212**	-	**212**
SS&B Reserve and Complement fund	**6,528**	244	**6,284**
SS&B Assistance fund	**276**	-	**276**
ASHI fund	**14,000**	-	**14,000**
Health Insurance fund	**1,272**	-	**1,272**
Total net assets - other reserves and funds	**65,557**	**1,235**	**64,322**

Extra-budgetary reserves

- *Extra-budgetary allocated reserves*

The Union has set up a reserve to receive any balances from internal ongoing projects. The movements on that reserve represent the expenses related to the implementation of projects and the allocation of internal funds coming from the regular budget or the ICTDF fund.

- ITU exhibition working capital fund

ITU exhibition working capital fund: During the Plenipotentiary Conference held in Bucharest in 2022, Resolution 11 was abrogated, and it was decided that the remaining balance of the Exhibition Working Capital Fund (EWCF) would be transferred to the ICT Development Fund, after full completion of all the obligations towards TELECOM staff. In 2023 as per Res 1418, CHF 3 million has been paid to this fund.

- ICT Development Fund

In line with ITU's mission of fostering the expansion of modern communication services worldwide, the Council assigns a share of the surplus revenue derived from ITU TELECOM events to the ICT Development Fund (ICTDF), which serves to finance various national and regional development projects. In the case of project financing through the ICTDF, only the expenses are recognized in the statement of financial performance. This same principle applies for projects financed under the development action plan, the funds available for these programmes having already been recognized as revenue in prior financial periods. The ICTDF also registers contributions paid by members or third parties for the financing of ICT development projects.

- *Extra-budgetary unallocated reserves*

The Union has set up a reserve to receive any remaining balances from internal closed projects. This reserve will be used to finance new projects or regional initiatives, as well as to cover certain projects in deficit.

The movement in ITU extra-budgetary reserves are shown in the table below.

Description (CHF '000)	31 December 2023	Surplus / (deficit) - 2023	31 December 2022
Extra-budgetary allocated Reserves	**7,023**	**(3,333)**	**10,356**
- Extra budgetary allocated reserves	6,367	(212)	6,579
- ITU Exhibition working capital fund	656	(3,121)	3,777
Extra budgetary unallocated reserves	**6,330**	**2,650**	**3,680**
- ICT Development fund	5,699	3,009	2,690
- Other extrabudgery unallocated reserves	631	(359)	990
Total net assets - Extrabudgetary reserves	**13,353**	**(683)**	**14,036**

The balance of the ICT Development Fund which is reported under Extra budgetary unallocated reserves line noted in the table above is CHF 5.7 million at 31 December 2023 (CHF 2.7 million at 31 December 2022). In 2023 further to Res. 1418, CHF 3 million was transferred from the Exhibition capital fund to the ICT capital fund.

Note 5 Financial risk

In the course of its work, ITU is exposed to several financial risks including credit risk, market risk (Foreign exchange currency risk), interest rate risk and liquidity risk. This note presents information on ITU exposure to each of the above risks and outlines the principles adopted by ITU to manage financial risks and preserve its capital. The management of financial risks is centralized under the responsibility of the Secretary-General.

In accordance with International Public Sector Accounting Standards (IPSAS) 41, ITU's cash and cash equivalents are carried in the financial statements at amortized cost. This measurement reflects the amount of cash on hand and the value of assets that can be readily converted into known amounts of cash, minus any applicable reductions in value or impairments, as of the reporting date.

The fair value of supplier payables, and other current liabilities and voluntary contributions approximate their recorded carrying amount due to their short-term nature.

The borrowings (loans) are recorded in the accounts at the based on amortized costs (see Note 16).

a) *Credit risk*

Credit risk is the risk of financial loss to ITU if customers or counterparties to financial instruments fail to meet their contractual obligations, and arises principally from investments, receivables and cash and cash equivalents. The carrying amount of financial assets represents the maximum credit exposure.

The maximum exposure to credit risk as at 31 December was:

Description (CHF '000)	31 December 2023	31 December 2022
Cash and cash equivalents	155 868	193 868
Investments	35 070	13 860
Receivables	22 358	14 544
Other receivables	4 384	3 943
Other debts	3 057	2 230
Maximum exposure to credit risk	**220 737**	**228 445**

b) *Credit quality*

Credit quality is the assessed risk of default attached to counterparties to which ITU extends credit and those parties with whom ITU invests. ITU has reviewed its levels of accounts receivables from assessed contributions and other sources. There is concern over the ageing of the accounts receivable from Member States, Sector Members and Associates. As per resolution 41, 2018 PP conference (Dubai), on arrears and special arrears account, this resolution highlights the high level of arrears, puts in place mechanisms for repayment, and encourages those in arrears to make payments in a timely manner to ensure sufficient financing for ITU. This level of arrears will affect ITU’s financial stability if these amounts remain uncollected. In 2023 CHF 0.8 million was written off on the principal accounts receivable along with interest arrears of CHF 2.2 million. Further work is required to ensure that ITU collects its receivable in a timely manner going forward.

In addition, ITU sends quarterly statements on arrears and suspension of participation to encourage Member States, Sector Members and Associates to settle their arrears. Furthermore, the loss of voting rights for Member States is an additional incentive to encourage timely payments and settling of their arrears.

ITU mitigates credit risks on cash and cash equivalents and on investments by spreading them among several banking institutions with high-grade credit ratings. According to Article 16 of the Financial Regulations and Financial Rules, the Secretary-General chooses the banks or other institutions in which the Union’s funds are to be deposited. In this respect, the Secretary-General shall ensure that funds are invested in such a way as to place primary emphasis on minimizing the risk to principal funds while ensuring the liquidity necessary to meet the Union’s cash-flow requirements. ITU does not make deposits with banks with a credit rating below A3.

In addition to these criteria, investments are selected based on achieving the highest reasonable return rate and shall accord with the principles of the United Nations.

The Secretary-General designates the banks in which the funds of the Union are kept, establishes all bank accounts required for the Union and designates those officials to whom signing authority is delegated for the operation of those accounts. The Secretary-General also authorizes all bank account closures.

c) *Interest rate risk*

ITU is exposed to interest rate risks through its short-term investments. In 2023 we can also notice an increase of the interest rate for short term deposit in US dollars. This increase combined with the use of new deposit products allowed ITU to generate CHF 4.6 million interest earnings (CHF 1.5 million in 2022).

The cash, cash equivalents and investments (short term deposit) of ITU remains safe, as it holds high-quality assets aimed at preserving principal.

d) *Liquidity risk*

Liquidity risk is the risk of ITU not being able to meet its obligations as they fall due. ITU’s approach to managing liquidity risk is to ensure that sufficient liquidity is available to meet its liabilities when due. ITU ensures it has sufficient cash on hand to meet expected operating expenses through cash flow forecasts.

The primary objective of managing ITU’s capital is to ensure that there is sufficient cash available to support ITU’s funding requirements, including capital expenditure, to ensure that ITU remains financially sound.

e) *Currency risk*

ITU receives Member States and regular budget contributions in Swiss francs and extra-budgetary contributions in Swiss francs as well as in currencies other than Swiss francs, of which the majority are in US dollars and Euros. ITU does not have recourse to fixed-term exchange contracts, futures, swaps, or currency options to hedge realized or unrealized foreign exchange gains or losses. When possible, natural hedging is applied by assigning the foreign currencies directly to the appropriate bank accounts held in the same currencies.

It is to be noted that the new Health Insurance scheme is managed in Swiss francs, which is significantly reducing exposure to exchange rates fluctuations. The Union is still exposed to foreign exchange gains or losses arising from the payment of contributions to the UNJSPF in US dollars. However, since the Professional staff contributions are defined in US dollars and the General Staff contributions are defined in Swiss francs and the number of staff in these two categories is equally distributed, the exchange rates fluctuations tend to counterbalance.

ITU investments generated a realized loss in 2023 of CHF 3.6 million (CHF 2.0 million gain in 2022).

Extra-budgetary contributions are managed in the currency of the contribution received and converted in Swiss francs for presentation purposes. The table below captures the major amounts held in foreign currencies, with ITU's banks in Euros and US dollars as cash and cash equivalents, and investments.

Effect of exchange rate fluctuations between the Swiss Franc on other currencies				
(CHF '000) Currency	Balance in foreign currency	CHF equivalent of balance	Effect in CHF of increase / decrease in the value of foreign currency	
			of +/- 5%	of +/- 10%
EUR	26,838	24,872	1,244	2,487
USD	108,356	90,468	4,523	9,047
Total - 31 December 2023		**115,340**	**5,767**	**11,534**

f) Market risk

Market risk is the risk of changes in market prices, such as foreign-exchange rates and interest rates, affecting ITU's income or the value of its financial instruments holdings. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on the risk.

The maturity profiles on financial instruments as at 31 December 2023 are as follows:

In thousands of CHF	Weighted average interest rate	1 year or less	>1 year	Total
Financial assets				
Cash and cash equivalents		155,868	-	155,868
Investments		35,070	-	35,070
Receivables		19,578	2,780	22,358
Other receivables		4,384	-	4,384
Total financial assets		**214,899**	**2,780**	**217,679**
Financial liabilities				
Payables		13,042	-	13,042
Other debts		3,057	-	3,057
Borrowings outstanding	0%	1,391	51,657	53,048
Total Financial liabilities		**17,490**	**51,657**	**69,147**

Note 6 Judgment and accounting estimates

The preparation of the financial statements under IPSAS require management to make estimates and/or assumptions having a bearing, on the one hand, on the amounts of the assets and liabilities disclosed and the disclosure of contingency liabilities and obligations at the date of the balance sheet and, on the other hand, on the amount of the revenues and expenses for the accounting period. Although the estimates are based on past experience and on various other factors deemed reasonable in the prevailing circumstances, the results obtained may differ from those foreseen when the estimates were made. Changes in estimates are reflected in the period in which they become known.

Areas entailing a high degree of judgment and complexity or in which assumptions and estimates have a negative impact on the establishment of the financial statements are:

- employment benefits, particularly where the ASHI plan is concerned (see Note 18);
- impairment assessment of new building project (see Note 13 and Note 27);
- useful lives of fixed and intangibles assets and their possible impairment (see notes 3.3, 3.4 and 12-13);
- impairment of receivables (see Note 9);
- deferred revenue from satellite network filings (see Note 16) and extra-budgetary funds (see Note20); and
- Provisions for satellite network filings and litigation (see Note 19).

ITU has taken the decision to write off inventory in the 2023 Financial statements due to the immateriality of inventory values, all items were expensed. This approach ensures clarity and focus on more significant financial data, facilitating more straightforward and meaningful analysis. These assets are still controlled, but no value is ascribed in the financial statements.

Note 7 Cash and cash equivalents

The table below includes a breakdown of the cash and cash equivalents balances as at 31 December 2023 and 2022.

Description (CHF '000)	31 December 2023	31 December 2022
Petty cash	95	118
Bank current accounts in CHF	68,021	68,637
Bank current accounts in foreign currency	20,178	65,436
Short term investment 0-3 months	67,574	59,677
Cash and cash equivalents	**155,868**	**193,868**

The amount of restricted cash and cash equivalents for 2023 and 2022 is CHF 27.5 million and CHF 28.6 million, respectively. Restrictions on cash and cash equivalents are primarily related to FIPOI and donations received for the new building, as well as to investments related to the ITU old pension fund.

Description (CHF '000)	31 December 2023	31 December 2022
Non restricted cash	**128,408**	**165,280.0**
Petty cash in CHF	95	118.0
Bank current accounts in CHF	45,884	45,692.0
Bank current accounts in foreign currency	20,178	65,436.0
Short term investment 0-3 months	62,251	54,034.0
Restricted cash	**27,460**	**28,588.0**
Bank current accounts in CHF	22,137	22,945.0
Short term investment 0-3 months	5,323	5,643.0
Cash and cash equivalents	**155,868**	**193,868.0**

Note 8 Investments

Investments in term deposits and other related instruments are measured at amortized cost. ITU does not hold investments in equity instruments or derivatives in its current portfolio.

The increase in investments is the consequence of the increase in contributions received and the availability of excess funds, which further increased funds available for investment.

A breakdown of fixed-term investments by date of maturity (period remaining) and by currency is shown below:

Description (CHF '000)	31 December 2023	31 December 2022
Maturity		
4-6 months	25,070	13,860
7-9 months	10,000	
Total Investments	**35,070**	**13,860**

Note 9 Receivables

Non-current, non-exchange receivables represent receivables from members having undertaken to repay their arrears under repayment agreements scheduled over several financial periods.

Receivables represent uncollected revenue from assessed and voluntary contributions, publications, and satellite network filings.

Description (CHF'000)	31 December 2023	31 December 2022 (restated)
Current receivables – exchange transactions	7,687	6,437
Provision for losses on current receivables – exchange transactions	(1,241)	(1,104)
Current receivables – exchange transactions: net value	**6,446**	**5,333**
Current receivables – non-exchange transactions	40,541	29,560
Provision for losses on current receivables – non-exchange transactions	(27,409)	(20,349)
Current receivables – non-exchange transactions: net value	**13,132**	**9,211**
Non-current receivables – non-exchange transactions	9,101	14,677
Provision for losses on non-current receivables – non-exchange transactions	(6,321)	(14,677)
Non-current receivables – non-exchange transactions: net value	**2,780**	**-**

Note 10 Other receivables

The major category under other receivables is employee advances. These are advances provided to staff members as per ITU's staff regulations.

The withholding tax comprises the tax which is reimbursable by the Swiss Confederation's Federal Tax Administration as well as the income tax to be recovered from the Government of the United States of America.

Description (CHF '000)	31 December 2023	31 December 2022
Employee advances	2,043	2,184
Withholding tax	1,328	1,390
Pensions	96	126
Accrued interest	917	242
Prepaid expenses	1,854	1,499
Total - other receivables	**6,238**	**5,441**

Note 11 Property, plant and equipment

The ITU buildings comprise the following:

- Tower building, rue de Varembé, Geneva;
- Varembé building, rue de Varembé, Geneva. This building has been fully depreciated as at 31 December 2022 in anticipation of commencement of the new building project. Currently this building is still in use;
- Extension C and Cafeteria, rue de Varembé, Geneva;
- Montbrillant building, rue de Varembé, Geneva.

ITU does not own the land on which its properties are situated; instead, it has been granted surface rights at no cost by the government, which retains the title to the land. Given that ITU lacks the authority to commercially dispose of these rights, the value of the land is not recognized in the financial statements.

The inability to freely sell or commercialize the land implies that determining a reliable fair value, or assessing any difference between the fair value and the historical cost less accumulated depreciation, is not feasible. Consequently, these legal and practical restrictions are disclosed to ensure transparency with IPSAS requirements regarding the recognition and valuation of property, plant, and equipment.

As of 31 December 2023, no property, or equipment had been pledged as security for debt. ITU maintains a comprehensive schedule of property, plant, and equipment. This schedule includes assets that have reached full depreciation but are still in active use within the organization. The gross carrying amount of fully depreciated property, plant and equipment that remains in use as of 31 December 2023 is as follows (these amounts are also included in the two subsequent tables related to this note), which predominately relate to the Varembé building:

Asset Category (CHF '000)	Gross Carying Ammount
Buildings	38,076
Machinery & equipment	887
Computer equipment	5,564
Vehicles	199
Furniture & fixtures	1,298
Total	**46,025**

2023

Categories of asset (CHF '000)	Buildings	Mach. & equip.	Furniture & fixtures	Computer equipment	Vehicles	Total 2023
Cost at 1 January 2023	126,344	1,395	1,363	7,205	296	**136,603**
Additions	18	5	7	62	-	**93**
Disposals	-	(302)	(24)	(531)	-	**(857)**
Reclassifications	39	22	-	-	-	**61**
Cost at 31 December 2023	**126,402**	**1,121**	**1,346**	**6,736**	**296**	**135,900**
Accumulated depreciation at 1 January 2023	**63,920**	**1,270**	**1,342**	**6,403**	**255**	**73,190**
Depreciation	3,514	47	16	512	19	**4,107**
Disposals	-	(302)	(24)	(531)	-	**(857)**
Accumulated depreciation at 31 December 2023	**67,434**	**1,015**	**1,334**	**6,384**	**275**	**76,441**
Net carrying amount at 1 January 2023	**62,424**	**125**	**21**	**801**	**41**	**63,412**
Net carrying amount at 31 December 2023	**58,968**	**106**	**12**	**351**	**21**	**59,459**

2022

Categories of asset (CHF '000)	Buildings	Mach. & equip.	Furniture & fixtures	Computer equipment	Vehicles	Total 2022
Cost at 1 January 2022	**126,338**	**2,112**	**1,394**	**8,803**	**296**	**138,943**
Additions	6	43	10	224	-	**283**
Disposals		(760)	(41)	(1,822)		**(2,623)**
Cost at 31 December 2022	**126,344**	**1,395**	**1,363**	**7,205**	**296**	**136,603**
Accumulated depreciation at 1 January 2022	**56,111**	**1,989**	**1,362**	**7,574**	**236**	**67,272**
Depreciaiton	7,809	41	21	652	19	**8,542**
Disposals		(760)	(41)	(1,822)		**(2,623)**
Accumulated depreciation at 31 December 2022	**63,920**	**1,270**	**1,342**	**6,404**	**255**	**73,191**
Net carrying amount at 1 January 2022	**70,227**	**123**	**32**	**1,229**	**60**	**71,671**
Net carrying amount at 31 December 2022	**62,424**	**125**	**21**	**801**	**41**	**63,412**

Note 12 Intangible assets

Intangible assets held by ITU comprise of internally developed and externally acquired IT licenses and software.

Category of asset (CHF '000)	Internal Development		Software			
	2023	2022	2023	2022	Total 2023	Total 2022
Cost at 1 January	**5,551**	**3,288**	**6,786**	**6,817**	**12,337**	**10,105**
Additions	567	2,263	205	1,023	**773**	**3,286**
Disposals	-		(275)	(1,360)	**(275)**	**(1,360)**
Reclassifications	192		107	306	**299**	**306**
Cost at 31 December	**6,310**	**5,551**	**6,823**	**6,786**	**13,133**	**12,337**
Amortization at 1 January	**3,301**	**3,063**	**5,605**	**6,249**	**8,906**	**9,312**
Amortization	763	238	790	610	**1,553**	**848**
Write off			(275)	(1,254)	**(275)**	**(1,254)**
Amortization at 31 December	**4,064**	**3,301**	**6,120**	**5,605**	**10,183**	**8,906**
Net carrying amount at 1 January	**2,250**	**225**	**1,181**	**568**	**3,431**	**793**
Net carrying amount at 31 December	**2,246**	**2,250**	**703**	**1,181**	**2,949**	**3,431**

In accordance with IPSAS 31.121(c), individual intangible assets that are material to the entity's financial statements are disclosed. As at 31 December 2023, our evaluation has led to the identification of 9 projects within the intangible asset category which have average useful economic life of almost 5 years and are valued at CHF 2.4 million. These projects include development of Space administration, SAP development and recruitment modules.

Note 13 Assets under construction

It has been decided to disclose separately the assets under construction relating to the new building project and thus allow for a more transparent follow-up of the project during the construction phase.

Given various existing scenarios for the continuation of the project the Secretariat has undertaken a comprehensive assessment of impairment indicators and concluded that, in accordance with IPSAS 21, paragraph 31, although certain uncertainties exist, such uncertainties are not indicators of impairment on the asset under construction as of 31 December 2023 as the project is still active and decisions regarding its cessation or modification have not been finalized. More information on the new building project is available in Note 27.

As of 31 December 2023, the total costs incurred for the project amount to CHF 19.7 million.

Category of asset (CHF '000)	New building project		Other building project		Other intangibles under construction		Total	Total
	2023	2022	2023	2022	2023	2022	2023	2022
Cost at 1 January	17,283	13,362	199	-	2,287	370	**19,769**	**13,732**
Additions	2,482	3,944	1,344	199	3,365	2,204	**7,191**	**6,347**
Reclassifications	(30)	(23)	(25)	-	(308)	(287)	**(363)**	**(310)**
Net carrying amount at 31 December	**19,735**	**17,283**	**1,518**	**199**	**5,344**	**2,287**	**26,597**	**19,769**

Note 14 Payables

Account payables relate to unpaid invoices, staff accounts and IOV (inter office vouchers) invoices open for settlement with UNDP.

Advanced payments from customers have been received for satellite network filings and for future publication purchases or invoices. These amounts maybe refunded to the beneficiaries or used to settle future invoices for satellite network filings and publications. Advances for conferences are payments made to the Union’s accounts by the host countries for the organization of events such as world conferences. After the closing of an event, the remaining balance is refunded to the host countries in conformity with signed agreements.

Description (CHF '000)	31 December 2023	31 December 2022
Suppliers	3,911	4,156
Advances from customers	6,871	5,993
Advances for conferences	2,260	392
Total - Suppliers and other creditors	**13,042**	**10,541**

Note 15 Contributions received in advance and deferred revenue

The amount for contributions received in advance concerns payments received from Member States in 2023 for their 2024 assessed contributions.

Description (CHF '000)	31 December 2023	31 December 2022
Contributions - Member States	45,814	45,913
Contributions - Sector Members	3,882	4,121
Contributions - Associates	714	639
Contributions - Academia	135	150
Contributions received in advance	**50,544**	**50,823**

As described in Note 2, the 2022 information included in the table below has been re-presented to provide more qualitative information and to disaggregate Deferred Revenue components.

As of 31 December 2023, the current portion of deferred revenue is entirely related to satellite network filings requests processed and invoiced during the year, for which the final publication in the BR International Frequency Information Circular (BR IFIC) was not done by the end of the year.

All deferred revenues related to the sponsorship of the new building accrued as of 31 December 2022 have been recognized in 2023.

Description (CHF '000)	31 December 2023	31 December 2022 (restated)
Deferred revenue, current - Satellite Network Filings	3,590	5,096
New building sponsors	-	1,665
Deferred revenue	**3,590**	**6,761**

Note 16 Borrowings and other financial debts

Description (CHF'000)	Loan	Due date	31 December 2023	31 December 2022
Net present value of borrowings				
CHF 19,627,590 - from 1990	I	2039	6,793	6,615
CHF 45,427,250 - from 2002	II	2051	23,687	21,307
CHF 2,000,000 - from 2002	III	2051	1,043	938
New Building Project	IV		21,525	19,471
of which short term			1,391	1,391
of which long term			51,657	46,940
Borrowings - Net present value			**53,048**	**48,331**

ITU currently has four interest free loans with the Fondation des Immeubles pour les Organisations Internationale (FIPOI). As of 31 December 2023, three of these loans are reflected in the financial statements at fair value.

The total amount outstanding, as at 31 December 2023, is CHF 55.2 million and the net present value is CHF 53.0 million.

The first three loans on existing buildings have a value of CHF 33.7 million; net present value is CHF 31.5 million.

In 2017, a new interest-free loan amounting to CHF 150 million was granted for the ITU new building project. The loan amount drawn down by ITU on this fourth loan stands at CHF 21.5 million as at 31 December 2023.

The reimbursement of the loan granted for the new ITU premises will start only after the successful delivery of the new building.

Note 17 Employee benefits

Employee benefits refer to all forms of consideration given by ITU in return for services rendered by its employees. These are recognized as and when they are earned by employees.

Description (CHF '000)	31 December 2023	31 December 2022
Accumulated leave	319	221
Overtime	208	24
Total current employee benefits liabities	**527**	**245**
Accumulated leave	11,328	11,745
Installation / repatriation	12,208	12,571
Pensions	54	54
ASHI	375,271	344,102
Total non-current employee benefits liabities	**398,861**	**368,472**
Total employee benefits liabities	**399,388**	**368,717**

17.1 After-service health insurance

17.1.1 Actuarial valuation of post-employment benefits under the ASHI plan

The accounting for ASHI-related obligations is based on an annual actuarial study carried out by an independent consultancy. The most recent valuation, carried out in January 2024, established at CHF 375.3 million ITU's obligations in respect of post-employment sickness benefits due to employees meeting the specified conditions at 31 December 2023, compared to CHF 344.1 million at end-2022). The actuarial study was carried out based on data (claim cost /contribution paid/ eligible population) provided by ITU.

17.1.2 Actuarial valuation – assumptions and methods

Within the framework of the valuation of obligations relating to the ASHI plan at 31 December 2023 and of the contribution for the 2023 period, ITU validates the assumptions and methods used by the actuaries. The assumptions and methods used for the valuation covering the 2023 period are described below.

Discount rate	1.90% for 2023 and 2.50% for 2022. The discount rates used for this valuation were first determined separately for each of the major currencies including CHF, USD, and EUR by using Aon AA Corporate Bond Yield Curve as at 31 December 2023. The ultimate discount rate was then determined by averaging the currency-denominated discount rates, weighted by the benefit payments paid to current inactive in each currency.
Increase in medical costs	2.60% for 2023, and 2.80% for 2022.
Salary increases	3.10% for 2023 and 3.00% for 2022 plus UNJSPF Static salary scale.
Pension increases	2.60% for 2023 and 2.50% for 2022

Estimated annual average cost of claims for reimbursement of medical expenses in 2023 and variation in medical expenses according to age	The 2023 actuarial report is based on average cost of claims for reimbursement in CHF estimated at the end of the 2023 period as an average per age range of 50, 55, 60, 65, 70, 75, 80, 85, and 90 years at CHF 3,226, CHF 4,038, CHF5,063, CHF 6,357, CHF 7,995, CHF 10,074, CHF 12,715, CHF 14,736 and CHF 16,953.
Administrative expenses	The annual average administrative cost per person was estimated at CHF 164
Mortality	The mortality is based on the last Sex-distinct United Nations Mortality Tables (Jan. 2023) with no longevity improvement for actives and disable retirees, and with generational longevity improvement through 2043, wit base year 2017 for Service Pensioners, Widows and Widowers.
Valuation of assets	ITU has no asset under the Guarantee Funds as of 31 December 2023.
Disability rate	Varies according to age and gender and for Professional Staff and General Service Staff and increases with age. The rate is based on the United Nations Disability table communicated in January 2024.
Employee turnover	The separation rate for employees leaving the organizations considered in the valuation varies according to age from 25 to 55 and from 18.3% to 5.0%, respectively.
Retirement rate	For all staff, retirement rates are set equal to the rates from United Nations Task force message January 2024. Rates vary according to age, gender, years of service, professional category.
Participation	97.5% of future retirees will elect coverage in the ASHI.
Spouse coverage	75% and 25% of male and female retirees have a spouse who will elect coverage with the ASHI. Men are assumed to be five years older than their spouse.
Actuarial method	Projected unit credit method with Service Prorate. The allocation period beginning at 45 years of age to reflect the fact that employees must be at least 55 years old and have completed 10 years of service in order to be eligible.
Net assets approach	All gains/losses are recognized in full immediately during the year in which they arise, but outside of surplus or deficit through the statement of changes in net assets.

Staff members separating from service at age 55 or over, along with their spouses, dependent children, and survivors, are entitled to after-service health insurance coverage provided they have completed at least 10 years of' service with the United Nations or a specialized agency and were insured under the UNSMIS health plan during the five years immediately preceding their separation from service. The same benefits apply to staff members in receipt of a disability allowance from the United Nations Joint Staff Pension Fund. This regime is jointly financed, with ITU contributing 2/3 and the insured person 1/3.

The following table provides additional information and analyses concerning the after-service health insurance liabilities arising from employee allowances according to the actuarial study performed to obtain the amounts at 31 December 2023.

Description (CHF '000)	31 December 2023	31 December 2022
Balance as at 01 January	344,102	545,636
- Net Current Service Cost	*10,165*	*19,685*
- Finance charge	*8,489*	*2,703*
Total expenses recognized in the statement of financial performance	***18,654***	***22,388***
- Obligation due to changes in Demographic assumptions	(574)	(80,067)
- Obligation due to changes in Financial assumptions	24,687	(133,642)
- Obligation due to experience during the period	(4,589)	(1,801)
Total Actuarial (gain) loss recognized in net assets	**19,524**	**(215,510)**
Contributions during the period	**(7,009)**	**(8,412)**
Total - Obligations under ASHI plan	**375,271**	**344,102**

The main element impacting the valuation of the ASHI is the discount rate which is used to calculate the present value of the future claims. In 2023, the discount rate decreased from 2.5% (2022) to 1.9% (2023), reversing the previous trend observed in 2022 when it increased from 0.5% (2021) to 2.5% (2022). Such trends resulted in an actuarial loss amounting to CHF 24.7 million in 2023 as compared to an actuarial gain amounting to CHF 133.6 million in 2022.

The second element with a significant impact on the ASHI liability is experience gains of CHF 4.6 million corresponding to changes in census data after 31 December 2021 were due to many factors, including more deaths of inactive members than expected (or more leavers for other reasons), lower salary increases than expected, and fewer claims paid than expected.

The contributions paid by the organization for the ASHI amounted CHF 7 million in 2023 (CHF 8.4 million in 2022). The employer expected contribution for 2024 amount is estimated to be CHF 8.8 million.

Since January 2020, ITU is part of the United Nations staff mutual insurance society against sickness and accident (UNSMIS). It is a medical insurance fund for UN staff members. Established in 1947 and headquartered in Geneva. UNSMIS is designed to reimburse medical expenses for its members, which can include costs arising from sickness, accidents, and maternity. The society serves both active and retired UN employees and their families.

UNSMIS operates on contributions from participating organizations and staff members, to ensure that its members receive medical care reimbursements under the society's rules and regulations. In addition to handling claims, UNSMIS is responsible for maintaining agreements with health providers and ensuring the financial stability of the insurance plan.

The actuarial reserve for long-term risks within UNSMIS was established in 1995 to cover the continuous increase in health-care costs and the progressive increase in the average age of members. Investment income from this reserve for long-term risks should make it possible to limit the rise in premiums and absorb any unforeseen costs. The study by EY proposed that the total for this reserve be established at USD 87.4 million (31 December 2022). As of 31 December 2022, this reserve is fully financed.

Joining this UN medical plan presents advantages for staff, as the contribution rate has been decreased and the deductible removed, but also for ITU in the long-term due to the size of the plan. The UNSMIS plan brings together several organizations and specialized agencies of the United Nations based in Geneva. This health insurance plan also includes the staff of the UN Office at Geneva, UNHCR and WMO.

To join the UNSMIS medical plan in January 2020, ITU had to contribute to the reserve fund of this plan for an equalization. The level of the contribution had been agreed at the level of USD 19.5 million (CHF 19.5 million), which was paid from the CMIP (Continuation Medical Insurance Plan) guarantee fund in early 2020. In addition, an extraordinary contribution will be paid yearly for 13 years starting 2020. This extra-contribution aims to regularize the impact of ITU joining this medical plan based on the staff and retiree age, demographics and other agree factors. This extra-contribution represents a total amount of USD 22.5 million split to be paid yearly over 13 years.

The follow-up of the cost containment is managed by the UNSMIS Committee, where ITU has a seat as a new member. Further details can be found in Document C24/46 on the annual report on ASHI.

17.1.3 Sensitivity information for healthcare plan

The sensitivity of defined benefit obligation (DBO) at 31 December 2023 and of the service cost and interest cost for fiscal year 2023 related to changes in the assumed healthcare trend are shown below:

Financial year (CHF '000)	31 December 2023
1% increase in healthcare trend rate - effect on service and interest costs	6,908
1% decrease in healthcare trend rate - effect on service and interest costs	(5,050)
1% increase in healthcare trend rate - effect on Defined Benefit Obligation	94,849
1% decrease in healthcare trend rate - effect on Defined Benefit Obligation	(73,844)

The discount rates used for this valuation were determined by using Aon AA Corporate Bond Yield Curves as at December 31, 2023. The sensitivity of defined benefit obligation (DBO) at 31 December 2023 related to changes in the discount rate are shown below.

Financial year (CHF '000)	31 December 2023
1% increase in discount rate - effect on Defined Benefit Obligation	(63,226,734)
1% decrease in discount rate - effect on Defined Benefit Obligation	83,539,939

17.2 <u>Repatriation grant</u>

17.2.1 Definition

In principle, a repatriation grant shall be payable to staff members who have at least 5 years of continuous services and whom the Union is obliged to repatriate. Costs include accrued annual leave, repatriation travel and removal on repatriation. Detailed conditions and definitions relating to eligibility and requisite evidence of relocation shall be determined by the Secretary-General.

Length of service, gross salary less staff assessment (including any language allowances and nonresident's allowance if applicable for General service staff) were taken into account in calculating the total amount of the obligation at 31 December 2023. The economic assumptions used are a discount rate of 1.9% (compared to 2.5% in 2022) and a rate of salary increase of 3.1% (compared to 3.0% in 2022). For the valuation of 2023, the assumptions for the actuarial study on the repatriation grant have been aligned with the ASHI assumptions.

17.2.2 Payment of the repatriation grant

Payment of the repatriation grant is governed by the conditions and definitions set out in the Staff Regulations and Staff Rules. As of December 2023, the employee benefit liability for repatriation amounted to CHF 12.0 million compared to CHF 12.4 million in 2022. This provision is funded by a deduction of one per cent (1%) from the remuneration of staff members other than those engaged for conferences and other short-term services.

The liability recognized for these other long-term benefits is the present value of the defined benefit obligations at the reporting date. The liability is calculated by an independent actuary using the Projected Unit Credit Method. Interest cost, current service costs, and actuarial gains or losses arising from changes in actuarial assumptions or experience adjustments are recognized in the statement of financial performance.

An IPSAS-compliant actuarial valuation is carried out each year by an independent consultancy.

17.3 Employee benefits under the United Nations staff pension plan

ITU is a member organization participating in the United Nations Joint Staff Pension Fund (the "Fund"), which was established by the United Nations General Assembly to provide retirement, death, disability, and related benefits to employees. The Fund is a funded, multi-employer defined benefit plan. As specified in Article 3(b) of the Regulations of the Fund, membership in the Fund shall be open to the specialized agencies and to any other international, intergovernmental organization which participates in the common system of salaries, allowances, and other conditions of service of the United Nations and the specialized agencies.

The Fund exposes participating organizations to actuarial risks associated with the current and former employees of other organizations participating in the Fund, with the result that there is no consistent and reliable basis for allocating the obligation, plan assets and costs to individual organizations participating in the Fund. ITU and the Fund, in line with the other participating organizations in the Fund, are not in a position to identify ITU's proportionate share of the defined benefit obligation, the plan assets and the costs associated with the plan with sufficient reliability for accounting purposes. Hence, ITU has treated this plan as if it were a defined contribution plan in line with the requirements of IPSAS 39: Employee benefits. ITU's contributions to the Fund during the financial period are recognized as expenses in the Statement of Financial Performance.

The Fund's Regulations state that the Pension Board shall have an actuarial valuation made of the Fund at least once every three years by the Consulting Actuary. The practice of the Pension Board has been to carry out an actuarial valuation every two years. The primary purpose of the actuarial valuation is to determine whether the current and estimated future assets of the Fund will be sufficient to meet its liabilities.

ITU's financial obligation to the Fund consists of its mandated contribution, at the rate established by the United Nations General Assembly (currently at 7.9% for participants and 15.8% for member organizations) together with any share of any actuarial deficiency payments under Article 26 of the Regulations of the Pension Fund. Such deficiency payments are only payable if and when the United Nations General Assembly has invoked the provision of Article 26, following determination that there is a requirement for deficiency payments based on an assessment of the actuarial sufficiency of the Fund as of the valuation date. Each member organization shall contribute to this deficiency an amount proportionate to the total contributions which each paid during the three years preceding the valuation date.

The latest actuarial valuation for the Fund was completed as of 31 December 2021, and the valuation as of 31 December 2023 is currently being performed. A roll forward of the participation data as of 31 December 2021 to 31 December 2022 was used by the Fund for its 2022 financial statements.

The actuarial valuation as of 31 December 2021 resulted in a funded ratio of actuarial assets to actuarial liabilities of 117.0%. The funded ratio was 158.2% when the current system of pension adjustments was not taken into account.

After assessing the actuarial sufficiency of the Fund, the Consulting Actuary concluded that there was no requirement, as of 31 December 2021, for deficiency payments under Article 26 of the Regulations of the Fund as the actuarial value of assets exceeded the actuarial value of all accrued liabilities under the plan. In addition, the market value of assets also exceeded the actuarial value of all accrued liabilities as of the valuation date. At the time of this report, the General Assembly has not invoked the provision of Article 26.

Should Article 26 be invoked due to an actuarial deficiency, either during the ongoing operation or due to the termination of the Fund, deficiency payments required from each member organization would be based upon the proportion of that member organization's contributions to the total contributions paid to the Fund during the three years preceding the valuation date. Total contributions paid to the Fund during the preceding three years (2020, 2021 and 2022) amounted to USD 8,937.68 million, of which 0.98% was contributed by ITU.

During 2023, contributions paid to the Fund amounted to CHF 27.2 million (CHF 27.7 million in 2022) (USD 30.25 million in 2023 and USD 29.04 million in 2022). Expected contributions due in 2024 are approximately CHF 26.7 million) (USD 30.8 million).

Membership of the Fund may be terminated by decision of the United Nations General Assembly, upon the affirmative recommendation of the Pension Board. A proportionate share of the total assets of the Fund at the date of termination shall be paid to the former member organization for the exclusive benefit of its staff who were participants in the Fund at that date, pursuant to an arrangement mutually agreed between the organization and the Fund. The amount is determined by the United Nations Joint Staff Pension Board based on an actuarial valuation of the assets and liabilities of the Fund on the date of termination; no part of the assets which are in excess of the liabilities are included in the amount.

The United Nations Board of Auditors carries out an annual audit of the Fund and reports to the Pension Board and to the United Nations General Assembly on the audit every year. The Fund publishes quarterly reports on its investments, and these can be viewed by visiting the Fund at www.unjspf.org.

Summary of contributions to the Fund for the period 1 January to 31 December 2023

Description (CHF '000)	Normal contributions	Service validation contributions /restitution	Voluntary contributions	Total
Contributions by participants	8,955	51	98	9,104
Contributions by the Union	17,910	7	155	18,072
Total	**26,865**	**58**	**253**	**27,176**

Obligations related to other employee benefits

Before the establishment of UNJSPF and ITU's affiliation thereto, the Union had set up funds to provide retirement, death, disability, and health insurance benefits to its staff members. Since ITU's affiliation to the above-mentioned funds, the funds previously created have functioned as a closed fund. Obligations thereunder are shown as long-term liabilities. Agreements have been concluded between ITU and its funds to ensure the latter's financing.

In 2022, the Union did not consider it necessary to request a new actuarial study for the Staff Superannuation and Benevolent Funds. At 31 December 2023, the provision for the obligations arising from pensions currently being paid to former employees affiliated to the Staff Superannuation and Benevolent Funds, recognized in 2010 in the amount of CHF 54,000, remains unchanged.

Note 18 Provision

The provision for risks and expenses comprises the provision for litigation which represents management's best estimate, at the date of closure, of future obligations associated with a past event in respect of various disputes to which ITU is a party. The administrative expenses related to the cases are communicated periodically by the tribunal and are recognized as incurred . There is uncertainty for ITU related to the final value and timing of the outflows of these disputes.

The provision for satellite network filings (SNF) comprises the amount corresponding to the unclaimed free-of-charge publication that Administrations are entitled to request each year. The entirety of this provision will be used during the 2024 financial period.

Description (CHF '000)	Satellite Network Filings		Litigation		Total	
					31 December	31 December
	2023	2022	2023	2022	2023	2022
Opening balance	370	279	1,089	1,093	**1,459**	**1,372**
Increase	693	370	61	748	**754**	**1,118**
Used during year	(306)	(212)	(48)	(712)	**(354)**	**(924)**
Unused amounts reversed	(65)	(67)	(19)	(42)	**(84)**	**(109)**
Unrealized exchange gain	-	-	3	1	**3**	**1**
Total - 31 December 2023	**693**	**370**	**1,085**	**1,088**	**1,778**	**1,459**

Note 19 Other debts

Description (CHF '000)	31 December 2023	31 December 2022
Accounts payable	677	967
Employees miscellaneous	2,176	1,236
Goods receipt/Invoice receipt	202	21
UNDP	3	6
Total - Other debts	**3,057**	**2,230**

Note 20 Extra budgetary funds

Allocated third-party funds are related to signed binding agreements, third-party funds in process of allocation are funds in process of allocation and third-party funds to be received related to are agreements signed in the current financial year and invoiced but yet to be received.

As described in Note 2, the 2022 information included in the table below has been re-presented to provide more qualitative information and to disaggregate current and non-current third-party funds at year-end. In addition, the table includes Third-party funds to be received, related to agreements signed and invoiced during each respective year, and for which the collection is expected in following period.

Description (CHF '000)	31 December 2023	31 December 2022 (restated)
Allocated third-party funds, current	19 614	22 749
Third-party funds in process of allocation	3 405	2 679
Third-party funds to be received	1 340	798
Total current Third-party funds	**24 359**	**26 226**
Allocated third-party funds, non-current	17 088	12 601
Total Non-current Third-party funds	**17 088**	**12 601**
Total - Third-party funds	**41 447**	**38 827**

Note 21 Revenue

Assessed Contributions

By its Resolution 1405, adopted at its 2021 session, the Council approved the budget of the Union for the period 2022-2023.

The 2023 revenue from Member States is in line with the financial plan as presented at PP-18. The assessed contributions from Member States are based on 343 11/16 Units.

Conference contributions have been recognised for:

- The World Radiocommunication Conference (WRC) and Radiocommunication Assembly (RA) in Dubai, United Arab Emirates. The Emirates government covered the transport cost and accommodation of all ITU staff who travelled there. The Government also directly provided logistics and security for all participants.
- The Global Symposium for Regulators (GSR) held in Sharm El-Sheikh, Egypt. As per the Host Country Agreement the Egyptian government financed the transport cost and accommodation of all ITU staff who travelled there and directly provided logistics and security for all participants.

The following table shows the assessed contributions recognized in 2023 and 2022.

Description (CHF '000)	31 December 2023	31 December 2022
Contributions by Member States	109,293	109,293
Contributions by Sector Members	13,967	13,797
Contributions by Associates	2,164	2,180
Contributions by Academia	413	408
Contributions conferences	1,725	1,935
Total - Assessed Contributions	**127,562**	**127,613**

Extra-budgetary contributions

Voluntary contributions and FIT projects are sources of funding from third parties to support the Union in implementing development projects in favour of the developing, UN-designated least developed countries but also to complement the ITU budget on regular activities. The total of voluntary contributions and fund in trust received amounted to CHF 19.0 million in 2023 (CHF 18 million in 2022).

Description (CHF '000)	31 December 2023	31 December 2022
Extrabudgetary contributions		
- Voluntary contributions	3,889	3,947
- Trust fund contributions	15,063	14,018
Total - Extrabudgetary Funds	**18,952**	**17,965**

Other operating revenue

In 2023, our sales revenue from publications reached CHF 16.7 million, surpassing the anticipated CHF 15.5 million by CHF 1.2 million and previous year sales by CHF 2.1 million. This increase is mostly attributable to a 10% price increase for both List V (released in April 2023) and List IV (released in November 2023).

The increase in Other revenue is mostly due to additional revenue for the new building project.

Description (CHF '000)	31 December 2023	31 December 2022
Cost recovery		
- Publications	16,724	14,604
- Satellite Network Filings (SNF)	10,643	10,285
- Other cost recovery	296	337
Total cost recovery	**27,663**	**25,226**
- Other revenue	6,482	1,247
Total - Other Operating Revenue	**34,145**	**26,473**

Finance revenue / (cost)

As described in Note 2, the 2022 information included in the table below has been restated to include the positive change in the Net Present Value of the loan for CHF 6.2 million (negative change of CHF 4.1 million in 2023) due to the decrease of the Swiss Confederation 30-year bonds rate as described in Note 3.2.

In addition, with the aim to provide more qualitative information, the 2022 foreign exchange gains and losses have been re-presented to show separately the impacts on investments and on operations.

The interest rate on short-term deposits in US dollars has risen in 2023 allowing investment income to reach CHF 4.6 million, which explains the increase compared to 2022 (CHF 1.5 million). Investments are held in US dollars and as a result, in 2023 ITU realized foreign exchange losses on investments of CHF 3.6 million due to strengthened Swiss Franc compared to US dollar. In 2022 ITU realized a foreign exchange gain of CHF 2.3 million.

Description (CHF '000)	31 December 2023	31 December 2022 Restated
Interest on investments	4,559	1,523
Realized exchange gains / (loss) on investments 0-3 months	(3,570)	1,995
Unealized exchange gains / (loss) on investments	(2,614)	(950)
Bank charges	(193)	(422)
Change in Net Present Value of loan	(4,055)	6,176
Realized exchange gains / (loss) on operations	(2,382)	(2,949)
Unrealized exchange gains / (loss) on operations	(17)	1,116
Total - Finance revenue	**(8,272)**	**6,489**

Note 22 Expenses

Employee expenses

Employee expenses cover all remunerations paid to staff members on permanent posts and all staff recruited for conferences or holding short-term contracts, such as base salary, post adjustment, language allowance, non-resident allowance, dependency allowance and overtime, as well as other employee expenses. The adjustment for ASHI is related to the net service costs. It represents the increase in the ASHI obligation during the period as calculated in the actuarial study for 2023, in accordance with IPSAS 39.

Globally the employee expenses slightly decreased in 2023. This decrease is largely the result of:

- decreases in Salaries and allowances - (CHF 3.2 million);
- decreases in ASHI adjustment - (CHF 2.4 million); offset by
- increases in other expenses – (CHF 3.2 million), mostly related to the Voluntary separation programme.

Description (CHF '000)	31 December 2023	31 December 2022
Salaries and allowances	**97 804**	**101 037**
- Installations and repatriation	1 143	1 085
- Education grant	4 152	3 736
- Home leave	954	741
- Accrued leave	1 307	1 680
- Health & accident insurance	11 408	11 785
- UNJSPF contribution	18 761	19 138
- Other expenses	3 550	331
- ASHI: net service charge	11 645	13 977
Other employee expenses	**52 920**	**52 473**
Total - Employee expenses	**150 724**	**153 510**

Non staff costs

Mission expenses

In 2022, most of the travel restrictions due to COVID-19 have been lifted allowing missions to take place as planned. This trend continues in 2023 and travel costs have increased by CHF 2.2 million to CHF 7.8 million reach pre-COVID levels of spend on mission expenses.

Contractual services

This category covers all emoluments, fees and expenses paid to companies providing consultants within the framework of agreements and contractual arrangements. It also covers special service agreements, expenses pertaining to language courses as part of training, and costs in respect of subcontracted services.

Rental and maintenance of premises and equipment

Rental and equipment expenses amounted to CHF 3.5 million in 2023 (CHF 2.8 million in 2022). This 24% increase is explained by the WTSA conference held at CICG where the venue and audiovisual equipment were rented.

Depreciation and impairment losses

Depreciation has fallen by CHF 3.8 million since the Varembé building was fully depreciated in 2022 and therefore not included in 2023 depreciation costs.

Description (CHF '000)	31 December 2023	31 December 2022 (restated)
Non staff costs		
- Mission expenses	7 788	5 589
- Contractual services	21 821	20 527
- Rental and maintenance of premises and equipment	3 537	2 860
- Equipment and supplies	3 150	2 460
- Depreciation and impairement losses	5 660	9 495
- Shipping, telecommunications and service expenses	2 673	2 242
- Movement in impairment / provision	4	(2 807)
- Other expenses	1 804	2 929
Total - non staff costs	**46 437**	**43 295**

Note 23 Segment reporting – Statement of financial performance 2023

Description (CHF '000)	General Secretariat	ITU-R	ITU-T	ITU-D	Total Regular Funds	New Building	SS&B Funds	Total Extra-budgetary Funds	Inter-segment Elimination	Total
REVENUE										
Assessed contributions	58,048	31,611	16,893	21,009	**127,562**					**127,562**
Extra-budgetary contributions	4	1	1	192	**198**			18,754		**18,952**
Other operating revenue										
- Publications	50	16,634	1	35	**16,719**			5		**16,725**
- Satellite Network Filings (SNF)		10,643			**10,643**					**10,643**
- Other Cost recovery	30	39	395	846	**1,310**				(1,014)	**296**
- Other revenue	329	328	46	99	**802**	2,570		3,110		**6,482**
Total revenue	**58,460**	**59,257**	**17,336**	**22,180**	**157,233**	**2,570**		**21,870**	**(1,014)**	**180,659**
EXPENSES										
Employee expenses	72,881	31,485	12,627	25,272	**142,266**	(8)		8,466		**150,724**
Mission expenses	917	2,284	519	1,796	**5,516**			2,272		**7,788**
Contractual services	8,586	871	524	2,184	**12,165**	8		9,649		**21,821**
Rental and maintenance of premises and equipment	2,304	171	89	147	**2,711**			826		**3,537**
Equipment and supplies	1,431	411	137	302	**2,281**	10		860		**3,150**
Depreciation	3,080	1,111	438	884	**5,514**	7		139		**5,660**
Shipping, telecommunication and services expenses	2,368	92	40	130	**2,630**			43		**2,673**
Other expenses	638	170	67	210	**1,085**			1,737	(1,014)	**1,808**
Total expenses	**92,205**	**36,595**	**14,441**	**30,926**	**174,167**	**17**		**23,991**	**(1,014)**	**197,161**
Finance Revenue / (cost)	(3,361)	(1,340)	(526)	(1,123)	**(6,349)**	**(61)**	**(312)**	**(1,550)**		**(8,272)**
Surplus / (deficit) for the period	**(37,105)**	**21,322**	**2,369**	**(9,869)**	**(23,283)**	**2,491**	**(312)**	**(3,671)**	**-**	**(24,774)**

The inter-segment elimination consists of the support costs (AOS) charged to projects and transferred to the ITU regular budget.

Segment reporting – Statement of financial performance 2022, restated

Description (CHF '000)	General Secretariat	ITU-R	ITU-T	ITU-D	Total Regular Funds	New Building	Insurance	Total Extra-budgetary Funds	Inter-segment Elimination	Total
REVENUE										
Assessed contributions	58,721	28,035	17,721	23,137	**127,613**					**127,613**
Extra-budgetary contributions	-	-	-	-	**-**			17,965		**17,965**
Other operating revenue										
- Publications	39	14,518	3	43	**14,603**			-		**14,603**
- Satellite Network Filings (SNF)		10,285			**10,285**					**10,285**
- Other Cost recovery	3		313	1	**317**			21		**338**
- Other revenue	493	276	78	171	**1,017**	270	18	(58)		**1,247**
Total revenue	**59,256**	**53,114**	**18,114**	**23,351**	**153,836**	**270**		**17,928**	**-**	**172,051**
EXPENSES										
Employee expenses	73,542	30,926	13,566	27,733	**145,766**		4	7,740		**153,510**
Mission expenses	1,502	498	323	1,671	**3,994**			1,596		**5,589**
Contractual services	7,862	879	748	2,143	**11,632**			8,896		**20,527**
Rental and maintenance of premises and equipment	2,473	75	174	76	**2,798**			62		**2,860**
Equipment and supplies	1,397	286	94	263	**2,040**			420		**2,460**
Depreciation	5,084	1,795	810	1,664	**9,352**	5		138		**9,496**
Shipping, telecommunication and services expenses	1,759	124	63	221	**2,167**			76		**2,242**
Other expenses	(521)	(155)	(76)	(147)	**(899)**			1,021		**122**
Total expenses	**93,096**	**34,427**	**15,701**	**33,624**	**176,849**	**5**		**19,948**	**-**	**196,805**
Finance Revenue / (cost)	3,382	1,277	586	1,248	**6,492**	**(12)**	**75**	**(66)**		**6,489**
Surplus / (deficit) for the period	**(30,459)**	**19,963**	**2,999**	**(9,025)**	**(16,521)**	**253**	**75**	**(2,086)**	**-**	**(18,266)**

Note 24 Reconciliation between budgeted amounts and actual amounts

The financial statements include:

- ITU regular budget;
- Other funds; and
- Extra-budgetary funds

Reconciliation

The Union's budget and financial statements are accounted for differently. The 2022-2023 budget is established on a modified cash basis, with several specific items that are not dealt with on an accrual basis. Furthermore, the ITU budget deals solely with the Union's core activity and not with activities financed by extra-budgetary funds.

The Union's financial statements are drawn up on an accrual basis using a classification based on the nature of the expenses recorded in the statement of financial performance (see Statement II).

To reconcile statements II and V transactions are broken into two categories of differences - basis and entity differences.

Basis differences: include expenses that are not included in the budget of ITU or treated differently under IPSAS requirements. These expenses typically include changes to the provision of doubtful debts, recognition of inventories, capitalization of fixed assets, depreciation, exchange gains and losses, ASHI, FIPOI loan repayment and surplus and / or deficit on investments.

Entity differences: typically refer to revenue and expenses that are outside of the approved ITU programme Budget, i.e. extra-budgetary funds and other funds not under the Union's budget.

	2023			
Description (CHF'000)	**Operating**	**Investing**	**Financing**	**Total**
Results on a comparable basis	**1,424**			**1,424**
Changes in and use of provision for doubtful debts	(36)			(36)
Revenue not included in Regular Budget				-
Capitalization of fixed assets/intangibles		5,570		5,570
Recognition of inventories	31			31
Depreciation	(5,514)			(5,514)
Exchange-rate gains and losses	(5,123)			(5,123)
ASHI	(11,645)			(11,645)
Repayment of FIPOI loan not considered as expense			1,391	1,391
Other expenses	(4,008)			(4,008)
Sale of assets	28			28
Total basis differences	**(26,268)**	**5,570**	**1,391**	**(19,306)**
Entity differences	**(6,892)**			**(6,892)**
Surplus / (deficit) as shown in the statement of financial performance	**(31,736)**	**5,570**	**1,391**	**(24,774)**

Summary of Budget to Actual differences

In the 2023 financial year, the budget was approved for CHF 163.2 million (resolution 1405). This budget was increased by CHF 0.2 million (total CHF 163.4 million) because of Secretary General's delegated authority under the council resolution 1405 and related financial regulations. This increase was due to a contribution for the new area office in New Delhi.

As noted in Statement V the revenue is CHF 157 million. This has resulted in a shortfall of revenue compared to budget of CHF 6.4 million. This shortfall is due to the decrease in cost recovery revenue for the processing of satellite network fillings (SNF). This shortfall is partially offset by an increase in interest revenue which was CHF 2.9 million in 2023.

To manage the shortfall in revenue received ITU had performed monthly reviews to ensure that expense levels remained below the revenue for 2023.

This close monitoring ensured that ITU ended the year with a surplus of CHF 1.4 million.

The 2023 budget implementation had been particularly challenging due to critical factors weighing on the 2023 budget, such as a shortfall of cost recovery revenue, salary and other expenses increases.

Below is a summary of expenses under each of the Sectors of ITU.

General Secretariat

Total expenses of the General Secretariat amounted to CHF 86.6 million in 2023, or 95.9% of the budget of CHF 90.3 million.

The main savings were related to documentation, with a significant reduction in the documentation costs through a productivity increase and a reduction of fixed costs. Other savings were also achieved by some departments on account of recruitment delays or positions maintained vacant. Lastly, some saving versus approved budget were achieved on common expenses.

ITU - Radiocommunication Sector (ITU-R)

Total expenses of ITU-R amounted to CHF 30.0 million, or 92.6% of a budget of CHF 32.4 million. Key savings where under interpretation, staff costs and mission expenses.

Three major events were held during the year:

- the Radiocommunication Assembly (RA);
- the World Radiocommunication Conference (WRC); and
- the Conference Preparatory Meeting (CPM).

As a result of WRC decisions, additional funding will be required in 2024 and beyond for activities related to the modernization of ITU-R systems.

ITU -Telecommunication Standardization Sector (ITU-T)

Total expenses of ITU-T amounted to CHF 12.5 million in 2023, or 94.7% of the budget of CHF 13.2 million.

Savings were made in all sections of the ITU-T budget (TSAG, Study Groups, Activities and Programmes, Workshops and Bureau).

Most of the savings are on account of Staff, Missions, Interpretation and Fellowships categories of expenses. Key areas of expenses reduction had been in travel (66% of travel budget utilized) and interpretation (46% of interpretation budget utilized).

ITU - Telecommunication Development Sector (ITU-D)
The total expenditure of ITU-D amounted to CHF 26.6 million, or 97.1% of the approved budget of CHF 27.4 million.

The Telecommunication Development Bureau (BDT), responsible for ITU-D, was able to achieve financial savings on activities and programs section (operational plan), under mission and contractual services category of expenses. Furthermore, a decision was made to delay recruitments for some 2023 vacant posts which resulted in additional savings.

Note 25 Related-party disclosures

The following entity is to be considered as a related party:

– The ITU Council comprises 48 Member States, without specific individuals being designated.

– The Union is managed by the Secretary-General, as executive head, assisted in that task by the Deputy Secretary-General and the Directors of the Union's three sectors (high-ranking officials sitting on the Coordination Committee): Radiocommunication Sector (ITU-R), Telecommunication Standardization Sector (ITU-T) and Telecommunication Development Sector (ITU-D).

The total remuneration paid to key management officials comprises net salary, post adjustment, allowances such as representation expenses, installation grant, repatriation grant, accrued leave, rental subsidy, and removal of personal effects.

Key management officials are also entitled to the same benefits as staff in the Professional category, namely:

– home leave;

– education grant; and

– post-employment benefits.

All the payments made in 2023 to/from the Key management people have been included in the table below.

In thousands of CHF	31 December 2023		31 December 2022	
	Number of persons	Total remuneration	Number of persons	Total remuneration
Elected officials	5	2,274	5	2,623

Note 26 Future commitments

ITU signed a contract with UNSMIS as of 1 January 2020 of which the payment of an additional annual contribution is required to be paid until 2032. At 31 December 2023, the remaining additional contributions total CHF 13.3 million (USD 15.9 million) (31 December 2022 – CHF 16.2 million (USD 17.5 million)).

Note 27 Events after the reporting date

ITU's reporting date is 31 December 2023 and these Financial Statements were authorized for issue on the same date at the External Auditor's opinion.

At the ITU Council session held in June 2024, the Secretariat reported on progress in connection with the new building project. The Council was informed that (i) proposals submitted for appointing a general contractor for the headquarters premises project significantly exceed the approved budget of CHF 172.69 million, that (ii) two calls for voluntary contributions and additional sponsorship yielded no interest, and that (iii) the Varembé building is nearing the end of its serviceable life and therefore it has become urgent to decide on its replacement.

Subject to the concurrence of the majority of ITU Member States in accordance with No. 79 of the Convention, the ITU Council approved the continuation of the new building project and requested ITU to revise and scale down the project to fit within the approved budget and available financing.

Such revision has also required the Secretariat to review all the assets recorded in connection with the project, including the costs incurred to date, the sponsorships received and to be received to assess whether such assets are still valuable under the reassessed scenario or require an impairment. As of 31 December 2023, ITU incurred total costs for CHF 19.7 million. In addition, CHF 2.3 million of further costs have been incurred in 2024 and ITU could be exposed to claims, contractual obligations and retentions for an amount of CHF 3.8 million.

The review concluded that the costs incurred were are almost entirely no longer relevant under the revised scope of the project, and the additional costs of CHF 2.3 million incurred in 2024 will no longer serve the revised project. During the financial year 2024, ITU will therefore recognise an impairment of the Asset Under Construction.

Certain sponsorships were received for the funding of specific features of the previous building project such as meeting room, lobby, courtyard, cafeteria and others for a total of CHF 16.9 million and recognised sponsorship receivables for CHF 1.4 million. The Secretariat is committed to including such features in the new architectural project and, upon completion of the design phase, it will discuss with the sponsoring members whether the revised project design may impact on the sponsored funds.

ITU has been notified of certain decisions reached by the ILO Tribunal during 2024. The impact of those decisions resulted in costs to be incurred in excess of the provisions recognised as of December 31, 2023. Such impact is recognised in 2024, as deemed not material.

ANNEX 3

DRAFT RESOLUTION

Audited financial operating report for the 2023 financial year

The ITU Council,

in view of

No. 101 of the Convention of the International Telecommunication Union and Article 30 of the Financial Regulations of the Union,

having examined

the audited financial operating report for the 2023 financial year, covering the accounts for the 2023 financial year of the budget of the Union, and the audited 2023 accounts for technical cooperation projects, voluntary contributions and the ITU Staff Superannuation and Benevolent Funds,

having noted

that the External Auditor's reports are set out in Annex 1 of Document C24/144,

resolves

to approve the financial operating report for the 2023 financial year (Annex 2 of Document C24/144), covering the accounts of the Union, and the 2023 accounts of extra-budgetary funds, ITU Staff Superannuation and Benevolent Funds.

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