|  |  |
| --- | --- |
|  | **Document CWG-FHR-20/25** |
| **5 February 2025** |
| **English only** |
|  |  |
| Contribution by South Africa (Republic of) |
| SUBMISSION AND CONSIDERATION OF THE 2024 FINANCIAL STATEMENTS |
| **Purpose**To facilitate the Union's return to its standard reporting timelines for financial statements, it is crucial that the 2024 financial statements are prepared and submitted for evaluation by the Council Working Group on Financial and Human Resources. This review process is crucial for the Council Working Group to fulfil its oversight responsibilities as outlined in the Council Resolution that established it. Once the Working Group has assessed, discussed, and recommended the financial statements, they will then be presented for consideration at the 2025 ordinary session of the ITU Council. Adhering to this governance process not only supports effective financial management but also strengthens transparency and accountability within the Union.**Action required**In accordance with the decision made by the Council in 2024, which called upon the External Auditor and the Secretary-General to resume the regular reporting cycle for the financial statements pertaining to the fiscal year 2024 during the session of the Council in 2025, the External Auditor, along with the Secretary-General, is hereby invited to prepare and present the audited financial statements for the year 2024. This presentation should include the full audit opinion issued by the External Auditor. These documents should be submitted to the Council Working Group on Financial and Human Resources for thorough **review** and **consideration** prior to their formal submission at the 2025 ordinary session of the Council. A special meeting of the Council Working Group on Financial and Human Resources can be scheduled prior to the start of the 2025 ordinary session of the Council for this purpose. Alternatively, a correspondence group can be established by the Council Working Group and Human Resources, which would meet virtually to review the 2024 audited financial statement and the accompanying audit opinion. It is essential that this process is handled meticulously to ensure transparency and accountability in the financial oversight of the organization.\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_**References** *Document* [*C24/109(Rev.1)*](https://www.itu.int/md/S24-CL-C-0109/en); [*DM-24/1006*](https://www.itu.int/md/S24-DM-CIR-1006/en); *Document* [*C24/120*](https://www.itu.int/md/S24-CL-C-0120/en) |

**Background**

The ITU’s financial statements for 2022 were approved during the 2024 Council meeting. However, the financial statements for 2023 were not approved at that meeting because the audit process had not been completed. The 2024 Council decided that the 2023 financial statements should be approved by correspondence, pending the receipt of the External Auditor’s opinion in autumn 2024. Additionally, the Council resolved to invite the External Auditor and the Secretary-General to resume the regular reporting cycle for the financial statements at the 2025 session of the Council (Document [C24/120](https://www.itu.int/md/S24-CL-C-0120/en)).

On 22 October 2024, the ITU Secretary-General received a letter from the External Auditor confirming that the audit for 2023 had been completed. The ITU’s financial statements for 2023 were distributed to member states via correspondence for their approval ([DM-24/1006](https://www.itu.int/md/S24-DM-CIR-1006/en)). The Council was invited to:

 “– to note the External Auditor’s report on the accounts for 2023;

 – to note the External Auditor’s opinion and approve the financial operating report on the audited accounts

 – and to adopt the draft resolution”.

Number 71 of the ITU Constitution states that “the Council shall ensure efficient coordination of the Union's work and maintain effective financial control over the General Secretariat and the three Sectors”.

We are of the view that the examination and endorsement of the Union’s financial statements via correspondence does not provide the Council with an adequate platform to thoroughly interrogate, engage in discussion, and deliberate on the various issues that may arise from these financial statements. This limitation effectively undermines the Council's ability to exercise meaningful financial oversight and control over the Union’s activities and resources. It is essential to emphasize that the practice of considering financial statements through correspondence should not be seen as a standard procedure; rather, it should be reserved for exceptional circumstances where direct discussion isn’t feasible.

Moreover, the acknowledgment of the External Auditor’s report regarding the Union’s financial accounts, along with the recognition of the External Auditor’s opinion conducted via correspondence, further limits the Council’s capacity to engage in comprehensive discussions. This omission inhibits an in-depth interrogation and critical analysis of this vital assurance information. It is further our view that the lack of discussions and deliberations on these significant aspects deprives the Council of valuable insights and the ability to address potential concerns effectively, ultimately affecting the governance and accountability of the Union.

During the nineteenth meeting of the Council Working Group on financial and human resources (CWG-FHR), held in October 2024, the Union's audited financial statements for the fiscal year 2023 were introduced as an information document designated as Document [CWG-FHR-19/INF/2](https://www.itu.int/md/S24-CWGFHR19-INF-0002/en). Due to the concerns raised in the meeting schedule, CWG-FHR found it necessary to summon the External Auditors to provide an overview of their audit report. Unfortunately, this arrangement limited the available time for CWG-FHR members to thoroughly interrogate, discuss, and deliberate on the complexities of the audited financial statements. As a result, there was no detailed examination of the financial details, which is essential for informed decision-making and governance.

It is essential to emphasize the significance of ITU Council Decision 563 (modified in 2023) on the **Council Working Group on financial and human resources** which resolves that “the Council Working Group on financial and human resources (CWG-FHR) should review and submit relevant proposals to Council related to the implementation of the strategic plan of the Union, revenue and expenses for the Union, financial and operational plans”.

In terms of Article 31 of the ITU Financial Regulations and Financial Rules, “the accounts of the Union for the budgetary period shall be submitted by the Secretary-General to the External Auditor not later than 31 March following the end of that period”. The cluster of the Council Working Group meetings is scheduled to occur from 10 to 21 February 2025. This timing presents a challenge, as it prevents the CWG-FHR from having the opportunity to thoroughly review the audited financial statements and the accompanying opinion of the External Auditors. While this practice of submitting audited financial statements to the Council without prior review by the CWG-FHR has been a recurring issue in previous years, it does not rectify the procedural shortcomings.

It is imperative for the CWG-FHR to carry out a comprehensive review of both the audited financial statements and the External Auditors' opinion. We believe this step is crucial for fulfilling its responsibilities as outlined in ITU Council Decision 563, which underscores the importance of transparency and accountability in financial reporting. Ensuring that the CWG‑FHR is properly engaged in this process will help maintain the integrity and oversight required for effective governance within the organization.

Proposal

We propose that the financial statements of the Union undergo thorough discussion and scrutiny by the CWG-FHR prior to their submission for approval by the Council. The financial statements should not merely be provided to the CWG-FHR for informational purposes; rather, they must be the subject of comprehensive analysis and deliberation to ensure transparency and accountability.

In accordance with the decision made by the Council regarding the financial processes for the year 2024, it has been outlined that the External Auditor and the Secretary-General are to resume the regular reporting cycle for the financial statements. This reporting is anticipated to take place during the 2025 session of the Council.

We also propose that the External Auditor and the Secretary-General be invited to present the audit financial statements for the year 2024. This presentation should also encompass the accompanying audit opinion issued by the External Auditor. It is imperative that this information is reviewed and considered by the CWG-FHR, allowing for any necessary discussions or questions to arise before these critical documents are formally submitted to the ordinary session of the ITU Council in 2025. We further propose that the CWG-FHR set up a special meeting before the start of the 2025 ordinary session of the Council. Alternatively, the CWG-FHR created a correspondence group that meets online to review the 2024 audited financial statements and the audit opinion. This process is vital to uphold the integrity and rigour of the ITU's financial oversight.

\_\_\_\_\_\_\_\_\_\_\_\_\_\_