



CORTE DEI CONTI

LA SEZIONE DI CONTROLLO

PER GLI AFFARI COMUNITARI ED INTERNAZIONALI

Composta dai Magistrati:

Dott.	Giovanni	COPPOLA	Presidente
Dott.ssa	Maria Annunziata	RUCIRETA	Presidente
Dott.	Giacinto	DAMMICCO	Consigliere
Dott.	Carlo	MANCINELLI	Consigliere
Dott.ssa	Igina	MAIO	Consigliere
Dott.	Michele	COSENTINO	Consigliere
Dott.ssa	Marcella	PAPA	Referendario
Dott.	Giulio	STOLFI	Referendario

Nell'Adunanza del 3 novembre 2020

Visto il D.P. n. 153 del 18 maggio 2020 pubblicato nella G.U. n. 131 del 22 maggio 2020 recante "Regole tecniche e operative in materia di svolgimento delle camere di consiglio e delle adunanze in videoconferenza e firma digitale dei provvedimenti dei magistrati nelle funzioni di controllo della Corte dei conti";

Viste le modalità indicate dalla DGSIA per lo svolgimento delle adunanze e camere di consiglio in videoconferenza - versione 1.0 del 26 maggio 2020;

Viste le regole tecniche della DGSIA riguardanti la procedura per la sottoscrizione con firma digitale dei provvedimenti dei magistrati nelle funzioni di controllo - versione 2.0 del 26 maggio 2020;

Visto il mandato di *external auditor* dell'*International Telecommunication Union* (ITU) conferito alla Corte dei conti dal *Council* dell'ITU per un quadriennio con decisione n. 566 del 21 ottobre 2011, il rinnovo per un primo biennio, con decisione del *Council* n. 586 del 22 maggio 2015, il successivo rinnovo per un secondo biennio, con decisione del *Council* n. 603 del 26 maggio 2017, ed infine il rinnovo straordinario per un ulteriore biennio, con decisione del *Council* n. 614 del 20 giugno 2019;

Visti i principi internazionali di audit applicabili all'attività delle Istituzioni superiori di controllo (*International Standards of Supreme Audit Institutions -ISSAI*), emanati dall'INTOSAI;

Visto il *Report* relativo all'*Audit of the Financial Statements at 31/12/2019 - ITU*;

Uditi i relatori Presidente Maria Annunziata Rucireta, Consigliere Giacinto Dammicco, Consigliere Carlo Mancinelli, Consigliere Igina Maio ed esaminati e discussi su loro proposta l'*Audit certificate* e il *Report* relativi all'*Audit of the Financial Statements at 31.12.2019 - ITU*;

DELIBERA

di approvare definitivamente il *Report* relativo all'*Audit of the Financial Statements at 31/12/2019*, a seguito dei commenti pervenuti dall'ITU dal punto 159 al punto 166, con le modifiche apportate dal Collegio nelle Camere di Consiglio del 30 ottobre e del 3 novembre;

DISPONE

di trasmettere copia dell'*Audit Certificate* e del *Report* al Segretario Generale dell'*International Telecommunication Union*.

I RELATORI

Maria Annunziata Rucireta
f.to digitalmente

Cons. Giacinto Dammicco
f.to digitalmente

Cons. Carlo Mancinelli
f.to digitalmente

Cons. Igina Maio
f.to digitalmente

IL PRESIDENTE

Giovanni Coppola
f.to digitalmente

Depositata in Segreteria il
Il Dirigente

Maria Pia Gubbiotti
f.to digitalmente



Corte dei conti

REPORT OF THE EXTERNAL AUDITOR

**INTERNATIONAL TELECOMMUNICATION UNION
(ITU)**

Audit of the Financial Statements for 2019

3 November 2020

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INTRODUCTION

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

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

The audit looked at the ITU's Financial Operating Report at 31 December 2019, the budgetary accounts and their consistency.

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

We carried out the audit of the accounts for the Financial Year 2019 on the basis of INTOSAI standards and the IPSAS regime and in line with the additional terms of reference that form an integral part of the Union's Financial Regulations.

We planned our working activities in accordance with our audit strategy, so as to obtain reasonable assurance that the Financial Statements were free from material misstatement.

We evaluated the accounting principles and the related estimates made by Management and we assessed the adequacy of the presentation of information in the Financial Statements.

Due to the Covid-19 pandemic, we were obliged to work mainly remotely and to postpone the on-the-spot testing of certain categories, such as the fixed asset register, inventories, personnel files etc.; the ITU itself closed and switched to the remote working mode; therefore, we performed alternative procedures where International Auditing Standards envisage direct verification of underlines transactions. Despite the limited testing on-the-spot, our audit carried out remotely, together with our knowledge of the internal controls operating in ITU, enabled us to obtain sufficient appropriate evidence to support our opinion.

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

The result of the audit was communicated to the Management on 23 October 2020 and the final draft of this report was sent to the Secretary-General on 26 October.

Pursuant to §9 of the Additional terms of reference governing the external audit, the Secretary-General informed us, through his staff, that he would be sending us his comments for inclusion in this report. Those comments were received on 29 October 2020 and were duly incorporated in the report.

We audited the ITU's financial operating report on the Organization's accounts relating to the financial results as of 31 December 2019, presented in compliance with Article 28 of the *Financial Regulations (2010 edition)*.

A Management report referring to the accounts for the Financial Year 2019, signed by the Secretary-General and the Chief of the Financial Resources Management Department on 30 March 2020, was included in the Financial Statements and is an integral part of the audit documentation.

Furthermore, we also received the Statement of Internal Control for 2019, signed by the Secretary-General on 30 March 2020

In respect of the audit of the financial statements for 2020, our checks revealed that expenditure related to international cooperation and technical assistance had been authorized and executed under a system of internal controls on which we could not rely for the purpose of our audit. There were no other satisfactory audit procedures that we could adopt to satisfy ourselves that the recorded expenses were free from material misstatements.

Therefore, in accordance with the International standards (ISA 705) we have qualified the opinion in our Audit Certificate with regard to this area of expenses. We provided details supporting our modified opinion in the long-form report, highlighting the most important steps that, in our view, Management should carry out in order to enhance the systems for controlling expenditure related to international cooperation and technical assistance.

We will continue to assess the effectiveness of the measures taken by Management and reserve the right to report in more detail on the results of our audits.

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

We also audited the ITU TELECOM World accounts for 2019, in accordance with Resolution 11 (Rev. Busan, 2014) resolve no. 6, and presented the report to the virtual session of the Council in June 2020.

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



Corte dei conti

AUDIT CERTIFICATE

Qualified Opinion

We audited the financial statements of the International Telecommunication Union (ITU), which comprise the statement of financial position as at 31 December 2019, the statement of financial performance, the statement of changes in net assets, the table of cash flows and the comparison of budgeted amounts and actual amounts for the 2019 financial period, as well as notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the accompanying financial statements present fairly, in all material respects, the financial position of the International Telecommunication Union (ITU) as at 31 December 2019, and its financial performance, its changes in net asset, its cash flows and its comparison of budgeted and actual amounts for the year then ended, in accordance with IPSAS and the Financial Regulations and Rules of the ITU.

Basis for Qualified Opinion

The Telecommunication Development Sector (ITU-D) fosters international cooperation and solidarity in the delivery of technical assistance and in the creation, development and improvement of telecommunication and ICT equipment and networks in developing countries. ITU-D is required to discharge the Union's dual responsibility as a United Nations specialized agency and executing agency for implementing projects under the United Nations development system or other funding arrangements, so as to facilitate and enhance telecommunication/ICT development by offering, organizing and coordinating technical cooperation and assistance activities. The work of ITU-D is supported by its Secretariat, the Telecommunication Development Bureau (BDT). The Telecommunication Development Bureau comprises four Departments and the Regional and Area Offices. In relation to the expenditure executed during the year 2019, the Segment Reporting Table of the Financial Statements at 31 December 2019 showed expenditure related to international cooperation and technical assistance in the

aforementioned area, over which the system of internal controls, albeit undergoing reform, could not be considered as reliable for the purpose of our audit. There were no other satisfactory audit procedures that we could adopt to satisfy ourselves that the recorded expenses were free from material misstatements.

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

Other Information

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

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

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the overriding of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the ITU's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, decide whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ITU's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the

related disclosures in the financial statements or, if such disclosures are inadequate, modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the ITU to cease to continue as a going concern.

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

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

Report on Other Legal and Regulatory Requirements

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

In accordance with the ITU's Financial Regulations and Rules (Article 28) and the additional terms of reference governing External Audit (Annex I to these Financial Regulations and Rules), we also issued a detailed report on our audit of the ITU Financial Statements for 2019.

Emphasis of matter – Impact of actuarial liabilities

We draw attention to the fact that the Statement of financial position shows a negative Net Asset (-452.6 MCHF), mainly due to the impact of 634.8 MCHF in actuarial liabilities relating to long-term employee benefits recorded in the financial position. Details of our analysis are included in our report. Management is acting according to its competences and powers and is constantly monitoring the situation. Council is warned on the need to consider further actions in a long-term perspective. Our opinion is not modified in respect of this matter.

Rome, 3 November 2020

Guido Carlino
President of the
Corte dei conti

(digitally signed as a separate document)

STRUCTURE OF THE ACCOUNTING STATEMENTS

1. The ITU's Financial Statements, prepared and presented in compliance with IPSAS 1, include the following elements:
 - Statement of financial position – Balance sheet at 31 December 2019 with comparative figures as at 31 December 2018 showing Assets (divided into Current and Non-current assets), Liabilities (divided into Current and Non-current liabilities) and Net assets;
 - Statement of financial performance for the period ended 31 December 2019, with comparative figures as at 31 December 2018 showing the Surplus/Deficit for the financial year;
 - Statement of changes in Net Assets for the period ended 31 December 2019, showing the value of the Net assets including the surplus or deficit for the Financial Year as well as losses directly recorded in Net assets without impacting the Statement of financial performance;
 - Table of cash flows for the period ended 31 December 2019, showing the inflow and outflow of cash and cash equivalents, regarding the operational, investments and financing transactions and the treasury totals at the end of the financial year;
 - Comparison of budgeted amounts and actual amounts for the 2019 financial period;
 - Notes to the financial statements providing information about accounting policies and additional information necessary for a fair presentation.

STATEMENT OF FINANCIAL POSITION 2019

ASSETS

2. In 2019, Assets amounted to 457.5 million Swiss Francs (MCHF), with an increase of 46.9 MCHF (+11.4%) compared with the value recorded in 2018 (410.6 MCHF).
3. They consisted of Current assets, amounting to 336.9 MCHF, representing the 73.6 % of Total Assets (in 2018, they represented 75.6%) and Non-Current Assets, amounting to 120.6 MCHF, representing 26.4 % of Total Assets (24.4% in 2018). The basis for the evaluation of Assets is given in the Main Accounting Principles (Note 2).

Current Assets

4. Total Current assets in 2019 amounted to 336.9 MCHF, representing an increase of 26.2 MCHF (+8.4%) as compared to 2018 (310.7 MCHF). Examining the movements in the sub-headings, we observed that the overall growth was due to the increase in “Cash and cash equivalents” (+17 MCHF) as well as “Receivables of non-exchange transactions” (3 MCHF); a sharp decrease was registered in “Investments” (-15.7 MCHF, that is -32 %).
5. There is, however, a sub-heading, not present in 2018, which refers to the deferring of expenses, for an amount of 21.2 MCHF, due for the entry of the ITU into the United Nations health insurance scheme, starting from 2020. See below in this report, where we discuss employee benefits, for a detailed illustration of this accounting item.

Cash and cash equivalent

6. The sub-heading “Cash and cash equivalent”, totalling 178.9 MCHF, increased by 10.5% compared to 161.8 MCHF in 2018; it included cash in hand and all the balances of ITU postal and bank current accounts as of 31 December 2019. The increase was mainly due to “Sight accounts in CHF” (+17.3 MCHF), which made up around 71% of the total sub-heading. A detailed breakdown of Cash and cash equivalent is shown in Note 6 of the Financial Operating Report.
7. We asked all the banks with business relations with ITU to confirm the current accounts’ balances as of 31 December 2019. We verified that the accounts balances had been properly recorded in the accounts. All variances detected in the banks’ confirmations were explained and justified. Even taking into consideration possible delays due to the pandemic, it is worth communicating that we did not receive direct confirmation from nine banks. We acknowledge the efforts made by Management to enable us to receive all the confirmations, nevertheless this limited our work in this area.
8. With reference to the missing bank confirmations, Management provided us with a copy of the statements as at 31.12.2019 relating to all the above-mentioned banks, and we used them for the reconciliation.

Updating of lists of authorized signatures at banks

9. As a result of our audit of the bank confirmations, as in previous years, we found differences between the lists of authorized signatures kept by Management at Headquarters and the lists that we received from the banks, therefore we decided to consider our recommendation 1/2018 as “ongoing”. Due to the fact that not all

the confirmations had been received, we could not reach a conclusion over the signatories. We acknowledge that Management acted promptly, communicating with the banks in order to resolve these discrepancies.

Investments

10. In 2019, the sub-heading “Investments” amounted to 33.3 MCHF, a decrease of 15.7 MCHF (-32%) compared to 2018 (49 MCHF), and it included fixed-term investments with a maturity of no more than 9 months from 31 December 2019. A detailed breakdown of Investments by date of maturity is shown in Note 7 to the Financial Operating Report.
11. Events after the closure that might affect the value of the above mentioned evaluations and impair the values are presently considered as “non-adjusting events”, and will be analyzed in the Report on 2020 f.y.
12. In Note 2 of the Financial Operating Report, regarding Main Accounting Principles, the specific paragraph on Financial Instruments provides information on the disclosure of Investment. In accordance with IPSAS, Note 4 provides information about Financial risk management; in particular, all Investments are exposed to a credit risk, as well as interest rate, liquidity, market risks and currency risks.

Receivables

13. Current receivables, whether for exchange or non-exchange transactions, had a net worth of 94,8 MCHF in 2019, compared to 90.8 MCHF in 2018. They represented around 30% of the total current assets compared to 27.6% in 2018.
14. As stated in Note 8 to the Financial Operating Report, they represent the uncollected revenue that Member States, Sector Members and Associates are committed to paying to ITU for annual contributions, the purchase of publications, satellite network filings and other invoices issued by ITU.
15. Non-current receivables, as also illustrated in Note 8, were present only for non-exchange transactions and amounted to 4.3 MCHF (16.6 MCHF in 2018). They were fully provisioned at 31 December 2019, in line with the principles described in Note 2 to the financial statements.

Other current receivables

16. An amount of 8.2 MCHF (8.5 MCHF in 2018) is shown in the closing balance sheet under other receivables. A detailed breakdown of “other receivables” is shown in Note 10 to the Financial Operating Report. Whereas an entry for 1.5

MCHF, representing the sums to be recovered as a result of a case of fraud, was recorded in 2018 among these current receivables, it was no longer disclosed in the 2019 accounts, because there had been no developments of this case in 2019.

Arrears

17. The total for arrears, special arrears accounts and cancelled special arrears accounts amounted to CHF 39.8 million as of 31 December 2019, substantially the same as in 2018. Special arrears represented the amount due by debtors who agreed a repayment schedule with ITU under Resolution 41.
18. Resolution 41 (2018, Dubai) recalls Resolution 152 (2014, Busan) as to the “*need to increase the recovery of contribution and considerably reduce arrears of Sector members and Associates*”. The amount due by Sector Members and Associates’ arrears at 31 December 2019 was the same as at 31 December 2018 (11.2 MCHF).
19. In 2019, no new agreements with Member States for the payment of their arrears were recorded. Among the already opened special arrears accounts, five more Member States failed to comply with their repayment schedules, so their special arrears accounts were cancelled. For these reasons, the amount for Repayment Agreements in 2019 decreased sharply from 17.2 MCHF to 4.6 MCHF.
20. We acknowledge that the Report by the Secretary-General “Arrears and Special Arrears Account” (Document C20/11 – 14 May 2020) states that SG “*has taken all possible actions to reduce outstanding amount*”.

Writing off of interest

21. The Secretary-General requested Council to approve the writing off of irrecoverable debts totalling 2,690,233.08 CHF, and the withdrawal of the same amount from the Reserve for Debtors’ Accounts. The debtors are 21 Companies for which the recovery procedure has been exhausted or that are in “court-supervised” liquidation.

Inventories

22. In 2019, items related to publications, souvenirs and supplies were recorded at a net value of 0.54 MCHF, the same as 2018. Inventories are detailed in Note 9 to the Financial Operating Report, which shows slight decreases in the net value of Publications (a higher gross value but a still higher depreciation) and an increase in supplies.

Non-current assets

23. Non-current assets as of 31 December 2019 totalled around 120.6 MCHF; they showed an increase of 20.6 MCHF (26.4%) compared to 2018, when they amounted to 100 MCHF.
24. The increase was due to the recording of a new sub-heading, in the same way as for the current assets, called “Deferred expenses – UNSMIS”, with an amount of 20.9 MCHF (17.3% of total non-current assets). See below in this report, where we discuss employee benefits, for a detailed illustration of these accounting items.
25. This aside, the heading was composed of the usual sub-headings, which are: “Property, plant and equipment”, amounting to 92.7 MCHF, or 76.8% of total non-current assets (in 2018 it was 95.6 MCHF, or 95.6% of total non-current assets), “Intangible assets”, amounting to 1,9 MCHF, or 1,6% of the total (in 2018, it was 2.1 MCHF, or 2.1 %) and by “assets under construction”, 5.2 MCHF (in 2017 amounted to 2.3 MCHF), or 4.3% of total non-current assets. The first two sub-headings are illustrated in Notes 11 and 12 to the Financial Operating Report respectively. Note 13 shows the sub-heading “assets under construction”.

Property, plant and equipment

26. This heading showed a value of 92.7 MCHF, which was the net value, at 31 December 2019, of the capitalised cost minus the related depreciation. The main categories refer to buildings (a net value of 91.7 MCHF was recorded in 2019; 94.7 MCHF in 2018) and to IT equipment (a net value of 0.9 MCHF in 2019, nearly the same in 2018). These are illustrated in Note 11 to the Financial Operating Report.
27. IPSAS 1 requires that buildings should be recognised as assets in the Statement of the financial position. For the initial recognition, IPSAS 17 states that reference must be made to the costs of these items or to a reliable fair value. Depreciation is charged systematically over the asset’s useful life, and the depreciation method must reflect the pattern in which the asset’s future economic benefits or service potential is expected to be consumed by the entity. The residual value must be reviewed at least annually and must equal the amount the entity would receive currently if the asset were already of the age and condition expected at the end of its useful life. Land and buildings are separable assets and are accounted for separately, even when they are acquired together.

28. According to Annex II to the ITU Financial Regulations, the External Auditor has to express whether “procedures satisfactory to the External Auditor have been applied to the recording of all assets, liabilities, surpluses and deficits”.
29. In Note 2 to the Financial Operating Report “Main accounting principles”, sub paragraph “Property and equipment”, it is stated that the initial recognition of buildings was performed at the “*intrinsic value*” “*on the basis of the study conducted by an external consultancy*”, in order to establish the IPSAS opening balance sheet value. This was considered the “historical cost”, and the depreciation was realized referring to an “*estimated useful life*” which was 100 years for the structure. The land on which ITU has a free-of-charge “right of superficies” was not considered in determining the initial value of the buildings.
30. The Swiss Confederation grants funding for the construction of buildings for international organizations through the “Fondation des immeubles pour les organisations internationales” (FIPOI), in the form of a loan on favourable terms, i.e. a period of 50 years at an interest rate of 0%. As already said, the land is provided free of charge by the Canton of Geneva via a “droit de superficie” (right of superficies). The value of borrowings from the FIPOI is illustrated in Note 16 to the Financial Operating Report, which also reports that the reimbursement of the loan for the new premises will only start after the successful delivery of the new building at beginning of 2026 at the earliest.
31. In the first year of our mandate we issued Recommendation n. 3/2012, related to the renegotiation of the Host State Agreement. We are following up that recommendation: an ITU/Host country Working Group, composed of representatives from the ITU, the Canton of Geneva (landowner), the Swiss Confederation and FIPOI, was created in 2017 to discuss specifically the issue of the “droit de superficie”. As of September 2020, we have been informed that the draft is still under discussion, and the reduction in the duration, proposed by Swiss Authorities, has to be further negotiated. Once the agreement has been finalised, residual book values should be adjusted accordingly.
32. As stated in Note 13, in 2019 Management decided to disclose separately the cost of the additions (1,242 kCHF) from the costs related to the buildings under construction (3,948 kCHF) “*in order to anticipate on the new building project and thus allow for a transparent follow up of the project during the construction phase*”.

Union's headquarters premises

33. With its Resolution 194, the ITU Plenipotentiary Conference of Busan, 2014 authorized the ITU Council to establish a Council Working Group to explore options for the Union's headquarter premises over the long term (CWG-HQP). The outcome of the CWG was presented to the Council in 2016.
34. With Decision 588 of 10 June 2016, the 2016 ITU Council approved the replacement of the Varembe building with a new one that would also accommodate the offices and facilities of the Tower building, retaining and refurbishing the Montbrilliant building; this measure was considered the most cost-effective option, assuming a successful sale of the Tower. A Member States Advisory Group (MSAG) was established.
35. Resolution 212, adopted by the PP of Dubai in 2018, recognized the need to involve ITU Member States in decisions regarding the construction of the Union's future headquarters and confirmed that the project would be primarily financed through an interest-free loan of CHF 150 million from the host country (with the amount of the loan not exceeding this value) and also that the project financing could be supplemented by sponsorships and donations and by the temporary fund established by the Council. The MSAG was also confirmed, with the mandate to review the project's progress and provide guidance on the scope, cost and timing of the project.
36. Two different funds related to the new buildings are disclosed in the accounts (Segment reporting and Annex B2): the Fund for the project of the new building's construction (that will be fed through the loan) and the New Building Reserve Fund, on which the Secretary-General allocates 3.04 MCHF of the budgetary surplus.
37. The Council, at the additional session held in Geneva on 27 September 2019, adopted the Decision 619 and approved the final direct cost of the Union's New Headquarters Building at CHF 170,139,000, to be financed entirely by the available funding of CHF 150,000,000 from the host country loan, CHF 15,140,000 in sponsorships and donations, and CHF 5,000,000 from the new building fund.
38. The Council decided, at the session held in September 2019, to create an additional Risk Register fund (Decides 3 of Decision 619) to provide an additional financial cushion for the non-mitigated risks to be financed by subsequent Council decisions beginning in 2020. CHF 1,425,000 are currently allocated to the Risk Register fund.

39. The whole procedure is currently ongoing, and the loan request is going through the process. The Host Country confirmed that the Canton of Geneva has drafted the law to be presented to the Grand Conseil for approval by the end of 2020. The Federal authority announced that the Financial Committee had unanimously approved the request which will be presented at the Autumn Session 2020 of the First Chamber of the Parliament.

Personal equipment

40. Management specified in Note 11 that progressively more equipment is of the mobile or at least removable type and subsequent events after the closure have significantly increased the share of staff working remotely. We recognize that tracking this equipment requires human and time resources, and this was not easily possible within the limited timeframe. Service Order 17/10 establishes the responsibility of the individual staff in validating and updating their inventory records. Nevertheless, it was admitted that there are pieces of equipment that had not yet been correctly registered.
41. During our last field visit in Summer 2020 we obtained evidence that a number of PCs, external screens and other removable IT items, had been taken away by the staff, for remote use at home. It was confirmed to us that there was no complete record of these movements.

Recommendation n. 1

42. A) We **recommend** that Management should collect information on the location of the IT equipment, making the individual staff responsible for updating their inventory records with this information.
43. B) In this connection, we **recommend** enhancing this responsibility with stricter rules.

Comments by Secretary-General

The yearly “physical inventory” will be scheduled for late 2020, early 2021. This should allow ITU to recollect information about equipment. SO 17/10 stipulates the responsibility of the individual ITU staff in validating and updating their inventory records, which can be done electronically from the Intranet Portal.

The ITU is in search of an improved way of reminding staff of outstanding inventory confirmation requests. And we are looking into how we can better enforce SO 17/10

Intangible Assets

44. In 2019, Intangible Assets amounted to 1.9 MCHF, showing a decrease from the value recorded in 2018 (2.1 MCHF). This decrease was mainly due to depreciation of the software.
45. As stated by Management in Note 12 to the Financial Operating Report, capitalization, according to IPSAS 31, regarded: (i) internal developments related to improvements in some specific services offered to members, specifically for the access, management and archiving of ITU documentation; (ii) standard software and upgrade packages used in ITU's operating activities.

LIABILITIES

46. In 2019, Total Liabilities amounted to 910.1 MCHF, an increase of 104.3 MCHF (12.9%) in comparison with the value recorded in 2018 (805.8 MCHF). They consisted of:
- a) *Current Liabilities*, amounting to 172.6 MCHF, representing 19% of Total Liabilities (in 2018, they represented 19.5%, totalling 156.9 MCHF), and
 - b) *Non-Current Liabilities*, totalling 737.5 MCHF, representing 81% of Total Liabilities (in 2018, non-current liabilities represented 80.5%, totalling 648.9 MCHF).

Current liabilities

47. Total Current liabilities in 2019, as seen above, amounted to 172.6 MCHF, representing an increase of 15.7 MCHF as compared with 2018 (156.9 MCHF).
48. The increase was due to the new sub-heading "UNSMIS equalization fund", with an amount of 21.2 MCHF (equivalent to the amount registered under "deferred expenses" in current assets), related to the transition to the new Health Insurance scheme from 2020; see below in this report, where we discuss employee benefits, for a detailed illustration of these accounting items.
49. Among the other sub-headings, "Provisions" (-6.1 MCHF) and "deferred revenue" (-0.6 MCHF) decreased compared to 2018, while "Other debts" increased 1.7 MCHF. The basis for the evaluation of Current Liabilities is set out in the Accounting Principles (Note 2).

Suppliers and other creditors

50. An amount of 8.5 MCHF (8.9 MCHF in 2018) is shown in the closing balance sheet under "Suppliers and other creditors". A detailed breakdown is shown in

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

Deferred revenue

51. The sub-heading “Deferred revenue” amounted to 135.6 MCHF (136.3 MCHF in 2018). The majority of this amount comes from contributions from the ITU’s membership (Member States, Sector Members, Associates) and from revenue for Satellite Network Filing for requests prepared at the end of 2019 with publication in 2020. The revenue from sponsorship agreements for the New Building that were already invoiced in 2019 are also disclosed in this sub-heading, as “Other”. A detailed breakdown of deferred revenues is shown in Note 15 to the Financial Operating Report.

Provisions

52. In 2019, the sub-heading "Provisions" amounted to 0.7 MCHF (6.83 MCHF in 2018). This heading included the provision for litigation and the provision for free Satellite Network Filing. A detailed breakdown of provisions is given in Note 18 to the Financial Operating Report.
53. The amount of the provisions for litigation decreased significantly, since some significant disputes were concluded during 2019, and therefore the relevant provisioned amounts were released.

Borrowings and financial debts

54. The amount related to the ITU’s capital borrowed from FIPOI for the construction and renovation of some of its premises was recorded as short-term (1.5 MCHF, or 0.95% of total Current Liabilities), corresponding to the instalment to be repaid to FIPOI by ITU in 2020, and as long-term (43.5 MCHF, or 6.1% of total non-current liabilities, it was 6.4% in 2018). The amounts are detailed in Note 16 to the Financial Operating Report.

Other Current liabilities

55. In 2019, the sub-headings “Employee benefits” and “Other debts” amounted respectively to 0.2 MCHF (same as 2018) and 4.9 MCHF (3.2 MCHF in 2018). A detailed description and breakdown are shown respectively in Notes 17.1 and 19 to the Financial Operating Report.
56. In particular, short-term Employee benefits, recorded under “Current liabilities”, are related to the provision for overtime (46 KCHF, it was 39 in 2018) and the

provision for accumulated leave (132 KCHF, it was 148 in 2018). Our checks did not reveal any major issue and the provisions are substantially accurate.

Non-current liabilities

53. Total Non-current liabilities in 2019 amounted to 737.5 MCHF, with an increase of 88.6 MCHF (13,6%) as compared with 2018 (648.93 MCHF).
54. The increase, in overall terms, is explained by the increase in Employee benefits (+ 61,44 MCHF, +10.7% compared to 2018) and by the newly recorded sub-heading “UNSMIS equalization fund” (20.9 MCHF, equivalent to the amount recorded under “deferred expenses” in non-current assets), related to the transition to the new Health Insurance scheme from 2020. See below in this report, where we discuss employee benefits, for a detailed illustration of these accounting items. The basis for the evaluation of Non-current liabilities is set out in the Accounting Principles (Note 2).
55. This heading comprised long-term debts (see the paragraph on “Borrowings”), third-party funds, allocated or in the process of allocation, liabilities for the ITU Health Insurance Scheme and provisions covering obligations of uncertain amount and timing, mainly related to post-employment benefits.

Summary of employee benefits

56. Employee benefits are disclosed in the Financial Statements under “Current liabilities” and under “Non-current liabilities”, totalling 635.03 MCHF in 2019, as summarised in the table below.

Table 1

Liabilities	Year (kCHF)		Variance 2018-19	
	2019	2018	kCHF	%
<u>Current</u>	178	187	-9	-4.8%
<u>Non-current</u>	634'857	573'415	61'442	10.7%
<u>Total</u>	635'035	573'602	61'433	10.7%
Composition of Non-current				
Post retirement Plan (ASHI)	611'896	552'240	59'656	10.8%
Pensions	54	54	0	0.0%
Installation/repatriation	13'500	12'341	1'159	9.4%
Accumulated leave	9'407	8'777	630	7.2%
Total	634'857	573'412		

Long-term employee benefits

57. As shown in the table above, in 2019, the sub-heading “Non-current liabilities” (related to long term employee benefits) were around 634.86 MCHF, with an increase of 61.44 MCHF (+10,7%) as compared with 573,42 MCHF in 2018. They represented 86.1% of total Non-current liabilities and 71.2% of total liabilities. This heading included the actuarial liabilities for post–employment benefits under the After Service Health Insurance plan (ASHI) (611.89 MCHF; in 2018 it was 552.24 MCHF), a provision for estimated liabilities for the repatriation grant (13.50 MCHF; in 2018 it was 12.34 MCHF) and a provision for accrued leave (9.40 MCHF; in 2018 it was 8.87 MCHF). A detailed description and breakdown of the long-term employee benefits is shown in Note 17.2 to the Financial Operating Report.

Employee benefits: Installation and Repatriation grants

58. As shown in the previous paragraph, the provisions recognized at 31 December 2019 for installation and repatriation grants amounted to 13.50 MCHF (12.34 MCHF in 2018) and were calculated according to the actuarial study commissioned by Management, which the actuary illustrated in its report of February 2020.

Employee benefits: ASHI

59. In 2019, the provision for actuarial liabilities for the ASHI plan amounted to 611.89 MCHF, representing an increase of 59.65 MCHF (10.8%) compared to 552.24 MCHF in 2018. This calculation, based on actuarial assumptions, was performed by the actuary, using Aon AA Corporate Bond Yield Curves as of 31 December 2019. The discount rate dropped significantly from 1.2% in 2018 to 0.6% in 2019.

60. In our last Report, in accordance with paragraph 88 of IPSAS 39, we recommended that Management should disclose in the notes to the Financial Operating Report the amount of the ASHI actuarial liabilities calculated using the discount rate of the long-term Swiss government bonds (Rec. n. 2/2018). As requested, in its sensitivity analysis for healthcare plans, AON also calculated the provision using the AON Switzerland Government Bond Yield Curve and the result was an increase of about 120 MCHF, for a theoretical final amount for the liabilities of 731.89 MCHF, due to the lower discount rate (0.2 instead of 0.6).

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

61. The choice of actuarial assumptions is the sole responsibility of Management. The External Auditor checks their plausibility and their consistency with IPSAS and with previous years and validates them.
62. As in previous years, our team made use of a group of public actuaries, who are experts in social benefits. To carry out their work, our actuaries recalculated the valuations prepared by the actuary chosen by ITU (AON Hewitt Consulting); The work of our actuaries confirmed that the amounts recorded in the accounts were substantially correct

The increase of the ASHI liabilities

63. Part of the increase in the ASHI actuarial liabilities is explained by the decrease in the discount rate used for the actuarial calculations. However, in addition to the assumptions made on the future interest rates, there are other causes that explain this trend, such as the increase in medical costs, salaries and pensions (see Note 17.2.2.; the number of retirees and the mortality trend have had no impact on the increase, because the membership data used by AON refers to the census on October 1, 2018). The management confirmed us that the assumptions used for the calculation of the provision did not consider the impact of the Covid-19 health emergency, which will be considered in the actuarial study for 2020.
64. Another factor that affected the amount of ASHI liabilities is the revaluation of the service cost, due to the move from CMIP to United Nations Staff Mutual Insurance Society (UNSMIS), starting from January 1, 2020. The past service cost – that reflects the impact of the new scheme on the ITU's liabilities, depending on more generous benefits and lower member contributions – has been estimated by AON at 50,029 kCHF.

Negative Net-assets influenced by actuarial liabilities

65. The considerable size of ASHI's actuarial losses (278.31 MCHF; it was 282.42 in 2018) had a significant impact on the ITU's Net Assets, which were negative in 2019, as in the previous year.

Deficit in the financial performance influenced by ASHI costs

66. In other respect, we must stress that the costs related to ASHI also impacted financial performance to the tune of 78.3 MCHF, with an increase of 49.8 MCHF

compared to the previous year (the ASHI adjustment, in Note 23 “Employees expenses” totalled 71,694 kCHF, because the net benefits paid, kCHF 6,663, were withdrawn).

Table 2

Amounts recognized in the statement of financial performance (kCHF)		
	2019	2018
Service costs	21'759	23'025
Past Service cost	50'029	
Finance charge	6'569	5'523
Expected return on assets	-	-
Total	78'357	28'548

66. As a result, the ASHI costs influenced the negative result recorded for the financial performance in the period.

The transition from CMIP/Cigna to UNSMIS

67. During 2019, the ITU was still part of the CMIP, the staff health insurance scheme put in place in 2014, Cigna being the insurer and Cigna/Vanbreda being the claims administrator. Under the CMIP, the contributions were collected by ITU and annual premiums paid to Cigna/Vanbreda.
68. As we referred in the previous report, considering the increasing deficit of the plan, the CMIP Committee investigated alternatives to improve its long-term sustainability. In summer 2019, the CMIP committee recommended to the Coordination Committee (CoCo) a switch from CMIP/Cigna plan to UNSMIS. This recommendation was validated by the Joint Advisory Committee (JAC). On August 19, 2019, the Secretary-General signed the Agreement for the transition to UNSMIS as of 1 January 2020 (“Agreement”).
69. The Agreement provided some measures to neutralize the impact of accepting the ITU participants on the UNSMIS plan (articles 5, 7 and 8): (i) in early 2020, ITU paid 19.53 MUSD in the UNSMIS reserve fund (article 7); (ii) in addition, ITU assumed the obligation to pay an extraordinary contribution of 22.53 MUSD to the reserve fund, divided into thirteen annual payments starting in 2020 (article 8); (iii) finally, ITU assumed the obligation to pay a contribution of 2 USD per capita per month, starting from the thirteenth year (art. 5).
70. As communicated by Management, this last contribution was considered in the assumptions for the calculation of the aforementioned ASHI liabilities, and the

other amounts, owed to UNSMIS to join the new plan, have been disclosed in the annual report to the Council on the situation of ASHI liabilities (C20/46).

71. We acknowledge that Management, has duly accounted for the amounts due as committed in the Agreement UNSMIS-ITU, after our analysis and related suggestions. The total amount due (42.1 MCHF) was recorded under liabilities and, as deferred expenses, under the assets, dividing it into “current” (21.2 MCHF) and “non-current” (20.9 MCHF).
72. The table below shows a summary of the amounts recorded.

Table 3 (MCHF)

Assets		Liabilities	
Deferred expenses - UNSMIS		UNSMIS equalization fund	
current	21.2	current	21.2
non-current	20.9	non-current	20.9
Total	42.1	Total	42.1

In-service and after-service staff health insurance liabilities and the impact of the transition from CMIP/Cigna to UNSMIS

73. In-service and after-service staff health insurance liabilities are funded through the CMIP guaranty fund (Health Insurance fund in the Statement III) and the ASHI fund: in particular, the CMIP guaranty fund is dedicated to funding of scheme on a pay-as-you-go-basis; the ASHI fund was created for the long-term financing of ASHI liabilities.
74. In 2019, CMIP guaranty fund was used for paying the deficit of the CMIP scheme, amounting to 2 MCHF; in January 2020, the same fund was utilized for paying the ITU share in the UNSMIS reserve fund to the tune of 19.53 MUSD. This last payment almost absorbed the fund, which amounted to 20.3 MCHF at the end of 2019; therefore, it could not cover the disbursements for the extraordinary contribution of 22.53 MUSD due to UNSMIS.
75. At the same date, after the proposed allocation of 0,5 MCHF, the ASHI fund amounted to 12 MCHF, less than 2% of ASHI liabilities.
76. In this regard, we observe that, since 2015, the *UN Finance and Budget Network’s ASHI Working Group* recommended adequate funding of ASHI liability (Recommendation 7, for more information, see UN Secretary general, Report to GA, A/70/590). The Working Group specified that it was necessary to build reserves at a minimum to fund the additional cost accrued during the current

periods, represented by service cost, plus the corresponding interest costs, reflecting the true cost of current operations. If we only consider the costs indicated in table 2 above, it is evident that the CMIP guaranty fund and the ASHI fund do not represent adequate reserves for the in-service and after-service health insurance costs in the year 2019. In the year 2020, the gap is intended to increase, because of the payments due to UNSMIS as a condition for the participation in the new plan.

77. Furthermore, the level of actuarial liabilities is a key indicator for the Council that, in the future, the ITU budget could be affected by a significant increase in employee benefits expenditures.

To the Council's attention (1)

78. Considering that the new scheme will generate more liabilities than the previous one, due to the higher level of benefits granted to insured people, we draw the attention of the Council to the need to assess, with a full actuarial study, when the ITU financial health will be affected by the underfunding mainly generated by ASHI liabilities. In accordance with the results of this study, we also recommend that a long-term funding strategy be studied, in order to avoid the operational and programmatic capacity of the Union being compromised, in the middle and long-term.

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

79. As in previous years, an amount of 54 KCHF was recorded in the accounts at closure; it relates to benefit obligations in the form of pensions payable to former staff members under the Staff Superannuation and Benevolent Funds (see also paragraph 122).

NET ASSETS

80. Net assets comprised allocated and unallocated own funds, extra-budgetary funds, the non-budgetary result, the surplus/deficit for the financial year and the effects of the transition to IPSAS. In 2019, Net Assets resulted in a negative value of -452.6 MCHF, more negative than the -395.2 MCHF in 2018.
81. All movements in Net assets are explained in various Tables and Notes in the Financial Operating Report, in particular:

- a) Table II “Statement of financial performance”, which shows the deficit for the period (-57.5 MCHF).
- c) Table III “Statement of changes in net assets”, showing the movements separately for each own fund, and IPSAS effects.
- d) Table V “Comparison of budgeted amounts and actual amounts”, which also discloses the accounting reconciliation between budget out-turns (actual amount) and amounts recognized in the Financial Statements (in this regard, see also Note 26).
- e) Note 2 “Main accounting principles” in the paragraph related to the “recognition of Funds”, in particular the sub-paragraph on “Allocated third party funds”, and the paragraph related to the “Reserve Account”.
- f) Note 3 “Management of net assets”, which lists the movements in the Reserve Account.

STATEMENT OF FINANCIAL PERFORMANCE 2019

82. This Statement shows the Organization’s operating and financial revenue and expenses classified, disclosed and presented on a consistent basis in order to explain the year’s net deficit or surplus. The result for the period was a deficit of -57.5 MCHF.

Revenue and Expenses

83. Total revenue amounted to 187.2 MCHF, an increase of 10.8 MCHF (+6.1%) as compared to 2018 (176.4 MCHF), mainly due to financial revenues (+8.8 MCHF). Assessed contributions, amounting to 126.5 MCHF, also increased from 2018 (+1.3 MCHF, +1%). The proportion of assessed contribution in relation to the total revenue amounted to 67.6% in 2018 (it was 71% in 2018). The detailed breakdown of revenues is reported in Note 22 to the Financial Operating Report.
84. Expenses totalled 244.6 MCHF, an increase of 66.4 MCHF (+60.3%) as compared to 2018 (184.4 MCHF). The increase is due almost totally to Employee expenses, which rose to 203.9 MCHF, representing 83.4% of total expenses, a higher proportion than 2018, when they represented 80.7% of total expenses, as reported in Note 23 to the Financial Operating Report.

Publications sales

85. Revenue from the sale of publications in 2019 amounted to 15.61kCHF, a 13% increase from 2018 revenue totals. The issuing of two new editions of ITU

maritime service publications in 2019 boosted total sales, which included a full year of sales for one title (List V: Ship Stations 2019) and one month of sales from the second (List IV: Coast Stations 2019), released only in December. Sales from these two titles accounted for 87% of total annual revenue.

86. In 2019, six new resellers signed Distributor Agreements with ITU to increase the dissemination of maritime service publications and anti-counterfeit measures, including informational campaigns for global port inspectors, continued.
87. Although the vast majority of ITU content and titles have become available online (free access), major traditional clients such as the Economist Intelligence Unit, Financial Times and Ernst & Young, have renewed their customized data license agreements for the ITU-D's World Telecommunication/ICT Indicators Database, and thus continue to pay annual royalties to ITU.

EXPENSES FOR INTERNATIONAL COOPERATION AND TECHNICAL ASSISTANCE: THE RATIONALE FOR QUALIFYING THE OPINION

Acknowledgement of Management's efforts to address significant weaknesses in some specific areas, but concrete implementation still needed

88. In our last year's report, we identified several weaknesses relating to internal controls in the area of international cooperation and technical assistance, which significantly reduced our level of assurance that the financial statements were free from any material misstatements in that specific area.. We made several recommendations to improve the internal control system at both the central and local levels.
89. We acknowledge the fact that ITU has started a comprehensive process aimed to duly implement our recommendations, as well as the recommendations made by the IAU and the JIU. A Working Group on Internal Controls was set up on the initiative of the BDT Director, to address, inter alia, the risks related to the accountability framework, and review the procedures for managerial oversight. This concerned, in particular, such areas as governance, ethics, procurement, and internal control procedures. The status of this process, partly still under implementation, is regularly presented to the Council.
90. In addition, following the Council's decisions, Management has engaged with a number of external consultants in various areas, with a view to identifying the most appropriate solutions in order to mitigate the risk for fraudulent activity in the ITU regional and area offices and strengthen the ITU's regional presence.

91. Whilst acknowledging the progress made towards increased accountability and better internal controls, we consider it appropriate to maintain our qualified opinion, since, as also recognized by Management, the instruments developed have not yet been able to prove their effectiveness in reducing the risks observed in terms of financial reporting.
92. It is important to note that one of the external consultants also concludes that the risk of fraud and error remains plausible at ITU level and key controls should be actually enhanced to improve the reliability of financial data. A recent IAU audit report on projects, regional initiatives and actions performed by BDT comes to the same conclusions. This further corroborates our qualified opinion.

PROCUREMENT

93. We carried out our audit remotely on a limited sample. Our checks disclosed that a vendor in 2019 received cumulated POs amounting to CHF 24.693,40, above the limit of 20k established by the Procurement Manual per vendor per calendar year. According to what Management referred, that this was a human mistake, due to the fact that an automatic check on exceeding the threshold had not yet been put in place in 2019. From 2020 onwards, the newly installed automatic check will avoid these errors. We accepted the explanation, and we will monitor the situation during our future audits.

Database of suppliers not updated

94. During our audit we noted that, for 2019, two Purchase Orders were awarded to two different vendors amounting to CFH 23.128,28 and CFH 16.850,02, respectively. We detected that these vendors had merged in October 2019, but the database of suppliers had not been immediately updated. As they were still treated as separate vendors by ITU, there was the risk of contracts/POs being split and not respecting the threshold set out in the Procurement Manual.

Recommendation n. 2

95. In the event of the merging of vendors, we recommend updating the suppliers' database immediately, as soon as the merger is disclosed.

Comments by the Secretary-General

ITU agrees that the database of suppliers shall be timely updated in the event of merging of vendors. Further, ITU will investigate the legal and technical impacts and how to implement this recommendation.

Publication of all information related to contract award on www.ungm.org

96. During our audit, we noted that all the information about the contract award is usually published on <https://www.ungm.org/Public/ContractAward>, but the field relating to the contract value is sometimes left empty.

Recommendation n. 3

97. We recommend that, for each contract notice published on the website <https://www.ungm.org/>, once the contract has been awarded, all fields related to the tender, and in particular the contract value, should be filled in, for the sake of transparency.

Comments by the Secretary-General

ITU believes it achieves transparency by sending a Letter of Regret to all unsuccessful bidders which contains the contract value of the awarded vendor.

Publication of contract award on www.ungm.org

98. According to the Procurement Manual in place since last summer, tenders above CHF 50k should be published on UNGM. There is no requirement to publish below this amount. We noted that contract award notices are sometimes also published for lower amounts. On the other hand, we detected that contract award notices are sometimes not published on www.ungm.org, even where they are above 50K.

Suggestion n. 1

99. For transparency reasons, we suggest publishing all award contract notices on www.ungm.org for contracts above 20k.

Comments by the Secretary-General

ITU agrees that for all tenders above CHF 20k, which are published on UNGM, the contract award shall also be published on UNGM.

Awarding of strategic contracts for ITU using the old Service Order 14/06

100. During our audit, we noted that some still active strategic contracts for ITU had been awarded with Service Order 14/06, which has led to a serious weakness in the field of procurement.

Suggestion n. 2

101. Considering that stricter rules are currently in place (Procurement Manual), but many contracts that are still ongoing were approved in accordance with the previous rules, we suggest starting a review of such contracts, above a certain threshold, and verify the impact of applying the new guidelines and rules to them.

Comments by the Secretary-General

ITU agrees to identify some strategic high-volume contracts and carry out a review as suggested.

Inspection of the Regional/Area Office Activities by IAU

102. In May 2020, IAU issued the “Inspection of the Regional/Area Office Activities: projects, regional initiatives and actions” (SG-SGO/IA/20-01), covering the period from January 2008 to March 2019. Its scope included BDT project governance, oversight and execution, but not administrative, financial and HR operations at ITU regional level.

103. Findings that should be mentioned regard mainly the outdated project management guidelines and the weak system of recruiting and managing SSAs.

PERSONNEL

Additional focus required on the timely processing of administrative data and stabilization of the ERP HRMD system

104. As part of our checks on personnel, we reviewed the payslips of some randomly selected staff members, in order to check the accuracy of the amounts paid

against the relevant remuneration package and seek evidence in their personal files for the allowances granted. Although our checks did not identify any major issues in relation to the calculation of entitlements, we are aware, from our past audits, of the existence of recurrent delays in the processing of the personal data supporting staff entitlements. As a result, the allowances paid may not (or may no longer) be in line with the actual eligibility conditions of individual staff members.

105. In this regard, Management reported that it had cleared the previous backlog, relating to 2017-2019, with the help of a short-term staff member engaged for this purpose. However, the regular handling of new documents received was not ensured and a new backlog had built up, which at least partially replaced the old one. Furthermore, as noted in the past, no automated alert is in place to remind the staff to provide the required information.
106. If retroactive recoveries are needed, retroactivity can only go back one year (unless affected staff members agree to pay back more); therefore, the further away one gets in time (i.e., the more delay accumulated), the greater the risk of consequences on the financial statements. The recent re-organization of functions between the SAS and the Payroll section failed to designate a person permanently responsible for bringing the process forward.
107. Another source of potential error (as well as an additional burden for the services) is the need for manual entries and adjustments of data in the SAP HRMD platform.
108. A list of required SAP enhancements for HRMD was established in 2018. It now comprises 73 items (8 items were added more recently). 38 requirements on the list have Priority 1, which corresponds to situations in which miscalculations may have financial consequences (i.e. an impact on individual pensions / salaries), and the risk of errors entails a corresponding risk for ITU accounts.
109. As reported last year, a special project had been launched for the biennium 2019-2020 to fix the bugs in the system and stabilize the modules, including interfaces with the health insurance systems. The project involved 2.5 staff members from the Information Service with the assistance of an external consultant. However, the implementation of the project suffered a setback in 2019, where very few new enhancements were released. Only 20 of the 38 Priority 1 activities are reported as having been performed at October 2020 (another 4 were closed due to the change in health insurance rules).

110. This was partly due to the impact of COVID-19 and partly due to the emergence of other priorities, such as the issues related to the migration towards the UNSMIS Health Insurance system and the need to implement the ILO Administrative Tribunal's ruling on Geneva post-adjustment. However, not all these issues have been resolved. As for the ASHI migration, we were informed that the corrections were introduced without preliminary and in-progress testing plans and without proper reporting, which increased the need for checks and the risk of error. Moreover, the integration achieved did not always fully match the business requirements, and the system still needs stabilization.
111. The situation of manual entries on family allowances (which are separately managed on an Excel sheet) is likely to have a cascading impact on other benefits. No additional checks are being carried out by the Payroll Service, which has not been reinforced numerically, as had been announced.
112. The horizon for finalizing these activities has now moved to 2021.
113. Due to the situation described above, we cannot conclude on the accuracy of the figures recorded in the statements.
114. The Covid-19 has accelerated the digitization process. However, the e-filing project is still a long way off and needs to be re-evaluated. The workflow review conducted some years ago as a preliminary step towards an information management system, has not been updated. In the meanwhile, the long-detected fragmentation of the information flows, resulting in a need to collect and reconcile data from multiple sources, has not been remedied.
115. The decision to develop a management information system is of a strategic nature and involves the entire organization. It can leverage the efficiency gains that are needed to deliver the results expected from ITU within the current level of resources.

Recommendation n. 4

116. It is noted that the previous backlog has been completely cleared. However, a targeted effort is now required to systematically update administrative data without creating a new backlog. Therefore we recommend that the processing of documents supporting staff entitlements be ensured in a timely manner, and that automated alert procedures be introduced to drive compliance. To this end, if not already covered by current duties, it might be appropriate to entrust a manager with specific responsibilities in this field.

117. We also reiterate our recommendation to urgently streamline in an action plan the steps necessary to satisfactorily solve the issues related to the integration of new functionalities into the ERP system. This should include the support of additional external resources, where needed to develop the required enhancements.
118. In the meantime, we recommend quantifying and properly disclosing the potential impact of retroactive recoveries on ITU accounts.

Comments by the Secretary-General

ITU supports the recommendations on the reinforcement of the integration of the existing business processes into the ERP system for reducing manual processing and introducing more automation, with an objective of simplification, reduction of time processing, and reduction of risks. HRMD has been working with the IS Department on an SAP HR Enhancement project prioritizing a list of 73 items to be addressed, from bugs resolving to development of new functionalities.

Recommendation n. 5

119. We also recommend considering the enhancement of the e-filing project and the development and implementation of a real information management system, including through investment in external services.

Comments by the Secretary-General

ITU supports that recommendation, in general, but also more particularly in the context of the working environment that has been developed in the COVID-19 situation, with a multiplication of documents being produced and processed in an electronic format, but not being managed within a system, including the ERP HR system.

No significant progress on the implementation of the Human Resources Strategic Plan

120. As observed last year, there is no operational plan to translate the Strategic Plan into practice over the medium-long term and no timeframe with intermediate steps of implementation. Therefore, progress, if any, is only isolated.

121. A major achievement (in line with our past recommendations) is, however, the completion of the inventory of competencies, which now include those of a technical nature. This is a preliminary step towards the skill gap exercise planned for the next few months. Two pilot projects deserve to be mentioned in this regard: one on the "ITU skills gap and cultural diagnosis" and the other on the "Cultural Assessment of Leadership" (the latter is in connection with the review of change management in organizations of the United Nations system, JIU/REP/2019/4).
122. Other achievements relate to the activity of the Working Group on Internal Controls, started at the initiative of the BDT Director but having the potential for a more general impact. These include the mobility policy, the accountability framework and the policy for the use of external consultants.
123. However, as recognized by Management, all of these measures are work in progress and await full review and implementation to respond to the evolving circumstances.
124. This is the case of the mobility policy, which, for the moment, does not introduce a mandatory rotation of staff, but only voluntary assignments to other offices for short periods of time or on specific projects. This policy should be extended and the reassignment of staff from one duty station to another should be made mandatory, also in the context of a more general reform of ITU's regional presence.
125. It is also planned that the Accountability framework should be enhanced to reflect new requirements, ensure the full implementation of the JIU benchmarks and be better aligned with other ongoing initiatives, like RBM.
126. A stricter framework is being applied for the use of consultants and competitive procedures have been introduced for their selection. A new application is also planned for the recruitment and management of BDT consultants. This will be part of a common IT system for BDT, to be integrated into SAP. Full implementation is scheduled for December 2021.

Recommendation n. 6

127. We recommend giving impetus to the enforcement of the new Strategic framework, through operational plans and a timeframe to implement them.

Comments by the Secretary-General

The implementation of the HR Strategic plan has been reported in document C20/54 "Progress report on the implementation the HR Strategic Plan and of Resolution 48

(rev. Dubai, 2018). A number of process improvements have been achieved; and new and updated policies have been put in place.

Within the HR goals and the objectives of improving the delivery capacity of ITU, concluded initiatives through the four pillars: (1) Fit-for-purpose workforce integrating diversity and agility (aligning ITU workforce to the ITU goals), (2) Engaged employees, (3) Excellence-driven HR services, (4) Enabling work environment; the activities were implemented, producing the outputs described in column F of the table attached to the document.

The BDT has undergone the leadership culture assessment and is currently advancing an action plan to address areas that require further strengthening.

The staff mobility policy is also taken up in the PwC review.

STATEMENT OF CHANGES IN NET ASSETS FOR THE PERIOD ENDED 31 DECEMBER 2019

128. Table III “Statement of changes in net assets” represents not only the movements of cumulated allocated and non-allocated own funds, and IPSAS effects, but also movements for each own fund, as reported in Note 4.

TABLE OF CASH FLOWS FOR THE PERIOD ENDED 31 DECEMBER 2019

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

130. In 2019, the ITU reported a negative cash flow from operating activities of 7.5 MCHF, where at the end of 2018 it was positive to the tune of 33.7 MCHF. A positive cash flow was reported from finance activities (1.8 MCHF), represented by the repayment of the FIPOI loan. Net cash flows from investment activities (12.3 MCHF) showed a negative variation from 2018 (31.8 MCHF).

131. The net result in cash and cash equivalents showed an increase of 26.5 MCHF in 2019, from 161.8 MCHF at the beginning of the year to 178.9 MCHF at the end of the year. We checked the underlying entries by selecting samples from some accounts. The result was that all chosen transactions were properly backed by supporting documentation. The Cash Flow Statement is thus verified and confirmed.

COMPARISON OF BUDGETED AMOUNTS AND ACTUAL AMOUNTS FOR THE 2019 FINANCIAL PERIOD

132. Table V “Comparison of budgeted amounts and actual amounts for the 2019 financial period” is drawn up in compliance with IPSAS 24, which requires that this comparison, arising from execution of the budget itself, should be included in the Financial Statements. The Standard also provides for the disclosure of the reasons concerning the material differences occurring between budget and actual amounts.
133. Table V also includes an accounting reconciliation of the differences between the budget out-turn (actual amounts) and the amounts recognized in the accounting statement. Further details are provided in Note 26 to the Financial Operating Report and we also refer to the Secretary-General’s comments reflected in the Financial Operating Report.

STAFF SUPERANNUATION AND BENEVOLENT FUNDS

134. Two Funds are reported in Annex B3 of the Financial Operating Report: the “*Reserve and Complement Fund*” (with Total Assets amounting to 6.2 MCHF (slightly less than in 2018) and the “*Assistance fund*” (with Total Assets amounting in 2018 to around 0.3 MCHF, same as 2018).
135. For the “*Reserve and Complement Fund*” in the Liabilities, an actuarial provision of 54 KCHF is recorded under the item “*Employee benefits*”, in line with an actuarial valuation performed in 2010.
136. As stated in Note 2 to the Financial Operating Report, these funds “are the set of funds that guarantee the pensions of employees who were in service prior to 1 January 1960, the date on which ITU became affiliated to the United Nations Joint Staff Pension Fund”. In 2019, the Reserve and Complement Fund paid out 21 retirement pensions (they were 22 in 2018) and 17 survivor’s pensions (they were 22 in 2018); the Assistance Fund served to assist staff members and pensioners in difficult financial situations”.
137. Due to a variation in the number of beneficiaries, in 2019 the Reserve and Complement fund recorded expenses for 16,9 kCHF, less than in 2018 (they were 19.4 kCHF). No expense was made in 2019 for the Assistance fund.

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

138. In Note 20 to the Financial Operating Report there is the breakdown of these two categories of non-current Liabilities: “Allocated third-party funds” and “Third-party funds in process of allocation”. The table also showed the ITU own funds allocated to extra-budgetary projects.
139. Rule 5 in Annex 2 of the Financial Regulations provides that “a separate account for each voluntary contribution or trust fund shall be opened in a special account of the Union”.
140. Annex B4 to the Financial Operating Report shows the Trust Fund projects, financed by the Special Fund for Technical Cooperation (SFTC) – intended to meet the needs of developing countries requesting urgent assistance and based on voluntary contributions – and, partly, by a withdrawal from ICT-DF, authorized by a decision of the ICT-DF Steering Committee. Other projects are funded with specific voluntary contributions (they are shown in Annex B5) and are governed by agreements with donors. Annex B6 lists the projects related to ICT-DF.
141. As shown in the above-mentioned table under Note 20, ITU own funds allocated to projects decreased in 2019 to 5.3 MCHF from the 2018 value of 5.6 MCHF. On the other hand, the total third-party funds increased in 2019 (CHF 38,325) compared to 2018 (CHF 33,824).
142. Third-party funds awaiting allocations increased in 2019 to 3.2 MCHF (they were 2.8 MCHF in 2018), due to the closure of various projects in 2019, and to the transfer of balances to transit accounts.

IT AUDIT

143. After the checks performed in the past years, some deeper verification is needed with reference to:
- The SAP Controlling (SAP/CO) project for the reimplementation of the Cost Accounting Module for Planning and Allocation/Assessment to RBM;
 - New bank communication software, modules Autobank, Cash Management and Payments;
 - Process integration with SRM and CRM systems, with the Standard contract management module
 - Module “AgileSI” for monitoring security events and threats.

We will check the status of these activities at a later stage once they have been fully tested and verified and then put into production.

144. We underline that the increase of a remote way of working and to use the IT resources will imply some adjustments in the use of IT instruments. We will monitor the efficiency and the effectiveness of the response of Management to this challenge.

ETHICS FRAMEWORK

145. The Ethics Officer's position was established by Resolution 1308, approved by the Council in December 2009 (C09/121, para. 3.21). An Ethics Officer was appointed in November 2016; the role became vacant at the end of April 2018. A new Ethics Officer was recruited in June 2019.

Whistleblower protection: is the new SO 20/06 sufficient and effective?

146. Service Order 20/06 - POLICY AND PROTECTION FOR REPORTING MISCONDUCT (Whistleblowing) - was adopted on 10 September 2020. The new Service Order abrogates and replaces Service Order No 11/04 of 22 February 2011.
147. The Service Order promulgates ITU's Policy and Protection for Reporting Misconduct (Whistleblowing) and clarifies the rights and responsibilities of ITU personnel with respect to reporting suspected misconduct, so as to encourage them to raise concerns and enable ITU to address such cases.
148. The Service Order applies to all current and former ITU personnel, including elected officials, ITU appointed staff, interns, Junior Professional Officers and individuals who are working under a Special Service Agreement (SSA) contract with ITU. The protection introduced by Service Order 20/06 applies regardless of whether allegations regard ITU staff or persons or entities inside or outside ITU.
149. We acknowledge that this Service Order is a major step in terms of providing legal basis for whistleblower protection.
150. Having an Ethics Officer on duty is another important signal of ITU's commitment to zero tolerance of misconduct and to a speak-up culture of deterrence and prevention.
151. We also acknowledge that the new Service Order contains enhanced confidentiality provisions in respect of ITU staff. Para. 14 of Service Order 20/06 says that "The identity of ITU personnel who report misconduct to the Ethics Office in this policy will be confidential. Confidentiality means that the ITU

personnel provides his/her name, but the Ethics Office and investigative body will reveal the source of the allegations outside their office only on a need-to-know basis, unless: a) The ITU personnel consent to disclosure; or b) The Ethics Office or investigative body determines that: (i) The ITU personnel made allegations that were knowingly false or made with reckless disregard as to whether they were true or false; (ii) There appears to be a risk of imminent danger or serious harm to individuals or the ITU; or (iii) ITU is requested to disclose such information by a competent judicial authority within a member government and decides to comply with such request, giving due consideration to UN policies and principles on human rights”.

152. However, we cannot assess at this point whether the legal framework will be effective in providing a sufficient degree of anonymity to whistleblowers, in particular external ones. It is worth mentioning that, in the fraud case that occurred in a Regional Office, only an “external” whistleblower allowed ITU to detect the fraud. With regard to ITU personnel, we note that the risks still exists that a potential whistleblower might consider him/herself not fully protected, given that ITU is entitled to disclose his/her identity to national authorities, albeit with “due consideration to UN policies and principles on human rights”.
153. In its replies to Recommendation 22/2018 of our last year’s audit report, Management committed to consider “*giving more visibility to external visitors*”, so as to facilitate communication and improve the effectiveness of whistleblowing.
154. In the context of our current audit, we noted that the ITU website now provides a link for external whistleblowers to report suspected fraud cases and specifies that reports of misconduct can be made to a private, encrypted hotline, which is hosted by an independent (non ITU) server where communications will be treated with the utmost confidentiality. However, we consider it appropriate to enhance the visibility of this link, by placing it at the top of each ITU webpage.
155. Furthermore, when considering the creation of an investigative function, we emphasize the need for this function to be fully independent of any other office within the organization and with a clear reporting line. The possibility of having recourse to external investigators in particular cases should also be established and regulated.

Recommendation n. 7

156. We renew our recommendation 21/2018 “that the Ethics Officer ensure an adequate degree of confidentiality through a better protection of the identity of the whistleblower”, adding that ITU should also provide assurance of protection in respect of national judicial authorities.
157. We also recommend establishing an internal path to ensure prompt and confidential assessment of allegations by independent investigators (further to a prima facie assessment by the Ethics Officer). Within ITU, it is essential that the investigative function be entrusted to a special entity, independent of any other office within the organization and with a clear reporting line. Allegations that cannot be dealt with internally, for example because they are directed against top management or because they require special skills (IT, forensic, etc.) not possessed within the ITU, should be managed by external specialized investigators (such as OIOS).

Comments by the Secretary-General

The new Service Order 20/06, Policy and Protection for Reporting Misconduct (Whistleblowing) was promulgated in September 2020. Service Order 20/06 contains strengthened provisions that describe the confidentiality provided to whistleblowers in order to ensure an adequate degree of confidentiality to better protect of the identity of whistleblowers and to ensure an adequate degree of confidentiality when there may be requests from judicial authorities.

The Service Order 19/10, ITU Investigation Guidelines, currently provides for the assignment of investigation cases to external investigative bodies in such circumstances when the investigation cannot be assigned internally.

Suggestion n. 3

158. Acknowledging that a “report misconduct” link was introduced on the ITU’s website, we suggest increasing the visibility of this link, for example by displaying it at the top of each webpage.

Comments by the Secretary-General

ITU will propose enhancing the visibility of the “report misconduct” link as part of the upcoming re-design of the ITU website.

Is the follow-up given to the fraud case fully consistent with the statement on zero tolerance for misconduct?

159. We refer to the ITU's response to a confidential report, released by an external investigator in early 2020 (the so-called "Further report").
160. The external investigator was instructed to investigate whether, in connection with the fraud case detected in the Bangkok Regional Office, there had been:
- (i) any systemic or individual shortcomings; and/or
 - (ii) any dereliction of management responsibilities in the oversight and supervision.
161. The report identified individual and systemic failings, as well as omissions and the neglect of management responsibilities, resulting in an environment that enabled the fraudster to operate his fraudulent scheme over a long period of time. Although none of the individuals concerned were aware of the fraudulent scheme, if all parties had fully complied with their duties, the fraud would probably have been discovered earlier.
162. At the end of October 2020, there is no disciplinary action completed by ITU vis-à-vis the staff members concerned. In the meanwhile, almost all of them have resigned (some before the "further investigation" was launched, some others since its outcome).
163. It should be recalled that there are specific provisions within the United Nations, which provide for the recovery of the financial loss generated by serious failure to comply with the obligations of an international civil servant, as long as the service relationship is ongoing. In this regard, the "UN Compendium for disciplinary measures" refers to Chapter X rule 10.1 of the UN Staff regulation, which reads: *"Where the staff member's failure to comply with his or her obligations or to observe the standards of conduct expected of an international civil servant is determined by the Secretary-General to constitute misconduct, such staff member may be required to reimburse the United Nations either partially or in full for any financial loss suffered by the United Nations as a result of his or her actions, if such actions are determined to be wilful, reckless or grossly negligent."*
164. A lack of timely and effective consequences is not entirely consistent with the zero-tolerance policy proclaimed in official documents, risks making the speak-up culture less credible and is likely to discourage potential whistleblowers.

165. Moreover, due to the limited scope of the investigation commissioned, the “Further report” failed to bring to light some important aspects, such as: the real amount of money owed by the fraudster in connection with his misconduct, the activities carried out by the companies owned by the fraudster in other countries, and some other circumstances which would have deserved further investigation (as observed in our Special Report on “Addressing fraud at ITU”). These issues do not question the quality and relevance of the report.

Recommendation n. 8

166. In underlining the fact that the “Further report” offers new confirmation of our criticisms of the internal control systems in the regional area, we recommend that ITU:

a) extend the investigation to the entire perimeter of the activities carried out by the fraudster to determine: i) whether further staff members and other people outside ITU should be considered; ii) the exact amount due as a result of the fraudster’s misconduct (including through requesting the cooperation of the national investigative authorities of the countries concerned);

b) complete the disciplinary proceedings currently underway with the greatest possible urgency, so as to ensure that concrete effects can result from this;

c) consider including in the Staff Regulation a provision along the lines of the UN Compendium of Disciplinary Measures to establish the recovery of financial loss from those staff members whose misconduct has been ascertained as the cause of the loss in the context of disciplinary proceedings.

Comments by the Secretary-General

The Secretary-General would like to bring to the External Auditor’s attention a particular aspect of ITU’s efforts to hold accountable those responsible for the fraud (not least, the main responsible individual for it), that the External Auditor may not be aware of. Please know that the Secretary-General intends to institute legal proceedings before Thai domestic courts against the perpetrator of the fraud and his accomplices. To that end, the ITU Legal Affairs Unit has been in contact with the Thai national authorities for several months now, and will continue its efforts to seek their guidance and assistance.

With respect to the recommendation n. 8, the Secretary-General comments more specifically:

Regarding part a) of the recommendation: ITU is currently not equipped nor competent to investigate the important items identified. However, these elements may be examined in the context of a complaint before the Thai domestic courts;

Regarding part b) of the recommendation: The ongoing disciplinary proceedings will be completed in the next few weeks in order to ensure that concrete effects can result from the proceedings;

Regarding part c) of the recommendation: Such a provision does not exist in the ITU regulatory framework and the UN regulations are not applicable *per se* to ITU. The Secretary-General would be ready to consider the possibility of introducing such a provision in the ITU Staff Regulations and Staff Rules.

THE INTERNAL AUDIT UNIT (IAU)

167. This part of our report briefly looks at the relationship between the External Auditor and the Internal Audit Unit, which is also tasked with providing logistic support to the External Auditor.

168. We acknowledge the cooperation received from Head of IAU and all staff members. In compliance with the common practices, IAU shares both its audit reports and audit plans with the External Auditor.

169. As required by best practices, we continue to monitor the IAU's activity.

FOLLOW-UP TO PREVIOUS RECOMMENDATIONS AND SUGGESTIONS

170. Annex I collects all our previous recommendations and the comments received from ITU Management at the time of the delivery of the Report. Annex II shows the follow-up given to all our suggestions.

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

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

N.	Recommendation made by the Italian Corte dei conti	Comments received from Secretary-General at the date of the audit report	Status as reported by ITU Management	Status as assessed by the Italian Corte dei conti
Rec. 1/2018	We renew our Recommendation 1/2012, therefore we recommend that in order to operate on bank accounts at least dual signatures are required as a general rule and in any case to make an effort to ensure that the conditions for joint signatures and individual signature above the threshold of 5,000 USD, be complied with.	We take note of this recommendation. A dual signature is already in place in all the banks and all staff movement are also reflected. We will do a review of all our banks to make sure our instructions have been properly registered.	<p>Update as of December 2019:</p> <p>We have done a full review of the authorized signatories to ensure our instructions are properly registered. We will follow up on this file beginning of 2020 by reviewing the bank confirmations as at 31.12.2019.</p> <p>Update as of September 2020:</p> <p>Some banks have still not registered our instructions we therefore are still doing a regular follow up on this issue.</p>	Ongoing
Rec. 2/2018	Considering the directions provided by IPSAS 39, we recommend that Management, despite having decided to adopt the discount rate deriving from a thirty-year yield curve for high-quality corporate bonds in Swiss Francs, should also disclose in the notes to the Financial Operating Report, the amount of the ASHI actuarial liabilities calculated using the discount rate of the long-term Swiss government bonds, starting from the Financial Statements for 2019.	We take note of this recommendation. A sensitivity analysis will be requested to our actuary for 2019. The amount of the liability calculated with on a discount rate based on the long-term Swiss government bonds will be disclosed in the note of the financial operating report 2019.	<p>Update as of December 2019:</p> <p>We met our actuaries and have requested to do the 2019 valuation based on the two different discount rates as recommended. The 2019 report will be available in February and the result will be disclosed in the financial operating report.</p> <p>Update as of September 2020:</p> <p>The sensibility analysis has been done and disclosed on the 2019 financial operating report</p>	Closed
Rec. 3/2018	We recommend that: (i) the new Procurement Procedures in force since April 2019 for low value procurement and for procurement below CHF/USD 20,000 should also apply to the implementation of technical assistance projects under the United Nations Development Programme (UNDP) and Funds-in-Trust arrangements, and that (ii) Management should monitor effectively all Purchase Orders below the threshold of CHF/USD 20,000.	This recommendation is already implemented. While it was not explicitly stated in the new procedures in force since 1 April 2019, it has been implicitly understood and introduced to all internal stake holders at ITU as applying to all procurement cases which fall under these procedures irrespective of funding source, and it is as such that it has been applied since 1 April 2019. In order to ensure that no doubts remain in this regard, the text of the new procedures has been updated to state that these apply irrespective of funding source.	<p>Update as of December 2019:</p> <p>Implemented. The Basic Rules were abrogated at Council in June 2019. The ITU Procurement Manual, introduced in June 2019, now governs all procurement at ITU regardless of funding source.</p> <p>Update as of September 2020:</p> <p>implemented</p>	Closed

N.	Recommendation made by the Italian Corte dei conti	Comments received from Secretary-General at the date of the audit report	Status as reported by ITU Management	Status as assessed by the Italian Corte dei conti
Rec. 4/2018	We recommend that Management update the ITU SRM software in order to allow the automatic monitoring of the POs or contracts above CHF 20,000 per vendor per calendar year.	We take note of this recommendation. Today, online reports from the ERP system are available including "Purchase orders including total amount per vendor".	Update as of December 2019: The update of the ERP has been implemented in November 2019. Update as of September 2020: Implemented	Closed
Rec. 5/2018	We recommend setting up guidelines that cover all aspects of the process for selecting suppliers. The procurement process should be reviewed by the Regional Director and the preferred supplier approved by the Regional Director.	<p>In light of the introduction of the new procurement procedures on 1 April 2019, there may be a need to revise this recommendation.</p> <p>Our response Management reported that, in accordance with the new procurement procedures introduced on 1 April 2019, the Project Manager will only be involved in low value procurement below CHF 5,000 per transaction, with an annual threshold of CHF 20,000. Above CHF 5,000, the Shopping Cart will be sent to PROC for bidding to be carried out by PROC, provided no waiver applies. This way, the Project manager will no longer be involved in bidding (inviting suppliers), as was the case in the past. We will monitor the implementation of the new procedures in the context of our future audits. We note that the Regional Director has no role in the new procedure; we think that consideration should be given to his/her position as a key figure in the framework of internal controls.</p>	Update as of December 2019: The new procedures introduced in April 2019 are also included in the ITU Procurement Manual introduced in June 2019. Update as of September 2020: Implemented	Closed

N.	Recommendation made by the Italian Corte dei conti	Comments received from Secretary-General at the date of the audit report	Status as reported by ITU Management	Status as assessed by the Italian Corte dei conti
Rec. 6/2018	We consider that, allowing the Project Manager to access the mailbox where offers are collected might have influenced previous procurement procedures, and we also stress that there is a high risk of bid rigging. Therefore, in order to improve controls, we recommend that the staff/Project Manager should only have access to the offers received after the deadline for presenting them (for example, by establishing that bids be sent to the Procurement Division and forwarded to the Project Manager after the deadline).	<p>In light of the introduction of the new procurement procedures on 1 April 2019, there may be a need to revise this recommendation.</p> <p>Our response Management highlighted that, with the new procurement procedures, Project Managers in regional offices will typically only seek quotes for low value procurement. For above CHF 5,000, PROC seeks quotes through competitive bidding, unless a waiver applies. We will monitor the implementation of the new procedures in the context of our future audits. We underline that our observation was related to all procurement procedures, irrespective of any threshold.</p>	<p>Update as of December 2019: The mentioned new procurement procedures were confirmed in the ITU Procurement Manual of June 2019.</p> <p>Update as of September 2020: Implemented</p>	Closed
Rec. 7/2018	We recommend that the Procurement Division introduce a system where the requisitioner of the PO is immediately and automatically identified.	Agreed, the staff member creating the shopping cart will be instructed to create the shopping cart using the standard functionality: "on behalf of the requester". Automatic email notification to the requester will be implemented.	<p>Update as of December 2019: Under implementation.</p> <p>Update as of September 2020: Under implementation</p>	Ongoing
Rec. 8/2018	We renew our recommendation n. 9/2017 and we recommend that a Declaration of Absence of Conflict of Interest (DACI) be signed by the staff involved in the procurement process, for all procurements, regardless of the threshold.	ITU maintains its position that only key staff in the procurement process shall sign the DACI. This recommendation is partially implemented as of 1 April 2019. Since this date every time that a requesting unit proposes a vendor for a case above CHF 5,000, he/she signs a DACI.	<p>Update as of December 2019: Implemented as per ITU Procurement Manual of June 2019. Key staff have been identified for signing the DACI and each time vendors are proposed for above CHF 5,000, the requestors sign such a form.</p> <p>Update as of September 2020: Implemented</p>	Closed

N.	Recommendation made by the Italian Corte dei conti	Comments received from Secretary-General at the date of the audit report	Status as reported by ITU Management	Status as assessed by the Italian Corte dei conti
Rec. 9/2018	In view of the above, we recommend setting up a procedure for randomly checking a sample of Statement of financial disclosures and Declarations of absence of conflict of interest every year, in order to verify the truthfulness of the information declared by individual staff.	Service Order 11/03 of 22 February 2011 is instructing the Ethics Officer to provide confidential guidance and advice to all staff members in respect of their financial disclosure as well as to draw their attention to any conflicts or potential conflicts of interest evident in financial disclosures. This implies that the Ethics Officer is not only the recipient and the custodian of those Financial Disclosure but also that she/he controls that the declaration is complete and is also reviewing the submissions to assess whether follow-up is required to address any potential conflicts. Should the Ethics Officer concludes that the declaration may contain simple issues that cannot be resolved through a request for clarification to the staff member concerned, but may be qualified as being intentionally inaccurate or false information, or is suspecting a potential case of conflict of interest, or a situation or action revealing a potential misconduct, wrongdoing or proscribed practice or behaviour, the case can be investigated in accordance with the investigation guidelines published in Service Order 19/10 of 2 May 2019 recently published.	<p>Update as of December 2019</p> <p>During Council 2019, ITU committed to enhance its annual Financial Disclosure Form in two areas: to ensure that staff completing the form affirm their accountability to ITU and to expand the coverage of the financial disclosure exercise. Following this commitment, the Ethics Office has drafted a revised disclosure form in which staff affirm whether they are in compliance with relevant ITU policies and procedures, affirm their accountability to ITU and these rules, and disclose any circumstances which should be brought to ITU's attention so these may be mitigated. The concept paper on the proposed revisions to the disclosure form will be discussed by the Coordination Committee in December 2019.</p> <p>The Ethics Office will continue to be the custodian of the disclosure forms and will continue to review each declaration in order to determine whether any further follow-up is required.</p> <p>Update as of September 2020</p> <p>A revised financial disclosure policy, ITU Policy on Declaration of Interests (Service Order 20/07), was published in September 2020. The new financial disclosure exercise will be expanded to all staff beginning in January 2021 and includes a new disclosure form. The Ethics Office is currently completing its financial disclosure exercise for the 2019 disclosure forms and continues to review each declaration to determine whether any further follow-up is required.</p>	Ongoing
Rec. 10/2018	We recommend setting up a guideline indicating how and to what extent the Regional Director should be involved in the purchase process and what checks should be performed at the HQ level before authorizing payments.	ITU agrees to review the role of the Regional Director in the procurement and payment process. An internal working group to strengthen internal controls has been set up by the BDT Director. The group includes staff from BDT, FRMD (finance, procurement), Legal, HRMD, Ethics and Information Services Department. The group's terms of reference include, among	<p>Update as of December 2019:</p> <p>The Council 2019 approved the updated Procurement Manual. ITU agrees to further review the role of the</p>	Closed

N.	Recommendation made by the Italian Corte dei conti	Comments received from Secretary-General at the date of the audit report	Status as reported by ITU Management	Status as assessed by the Italian Corte dei conti
		other things, the review of weaknesses in various processes and findings of Internal Audit and External Audit reports and the preparation of an Action Plan to ensure that any deficiencies and associated risks are mitigated.	Regional Director in the procurement and payment process and in line with the new Procurement Manual. A training on Procurement Manual was given to all Regional Directors and other regional staff. Update as of September 2020: Implemented	
Rec. 11/2018	We recommend setting up a standardised monitoring system, through checklists or IT guided tools, indicating how the regional Director and BDT should be effectively involved in the ex-post assessment of the effectiveness of the expenditure.	ITU has taken note of Recommendation 11 and will further study the effective involvement of Regional Directors in the assessment of the effectiveness of ITU expenditures for respective regions.	Update as of December 2019: The effective involvement of Regional Directors in the assessment of the effectiveness of ITU expenditures for respective regions is extremely important. BDT has strengthened its RBM-based planning activities for 2020, including regional activities. In addition, BDT is reviewing its IT support tools in planning and monitoring its expenditures. Enhanced planning and improved ITU tools should provide a good basis for the assessment of the effectiveness of ITU expenditures for respective regions. Update as of September 2020: BDT and IS are studying the feasibility of including country-level reporting in SAP	Ongoing
Rec. 12/2018	Also in order to enhance the internal control system at regional level, we recommend that ITU set up specific guidelines or, according to best practices, publish a detailed Regional Operating Manual, where all processes, like cash management, assets register etc., are standardised through specific procedures and checklists, in order to guarantee an effective internal control system at the regional level.	We take note of this recommendation. The guidelines related to Regional/Area office already exist. FRMD and BDT/ADM will do a full review of this guidelines to improve the processes and the internal control. An internal working group to strengthen internal controls has been set up by the BDT Director. The group includes staff from BDT, FRMD (finance, procurement), Legal, HRMD, Ethics and Information Services Department.	Update as of December 2019: A number of guidelines are currently under review. This review will take into account the work of the internal working group on strengthening internal controls. Update as of September 2020: Revised cash management guidelines have been shared with regional and area offices and information meetings were held. Guidelines for the procurement of assets for projects and inventory of project assets under ITU custody has been prepared. The SAP system is configured and ready to include project assets under ITU custody in the inventory system.	Ongoing

N.	Recommendation made by the Italian Corte dei conti	Comments received from Secretary-General at the date of the audit report	Status as reported by ITU Management	Status as assessed by the Italian Corte dei conti
Rec. 13/2018	In order to improve the internal control system at Regional level, we recommend that Management formulate a specific and detailed list of expenditure that can be authorized, or excluded, by Regional Directors.	This recommendation will be taken into consideration during the review of the guidelines.	<p>Update as of December 2019:</p> <p>This recommendation will be taken into account in the planning and implementation of BDT's operational plans in 2020.</p> <p>Update as of September 2020:</p> <p>In July 2020, as part of the RBM process, BDT implemented a Delegation of Authority document which contained approval thresholds applicable to RDs, establishing a \$15,000 threshold for expenditure approvals at the RD level with clear accountability lines.</p>	<p>Ongoing</p> <p>We will monitor the implementation in the contest of our next audits</p>
Rec. 14/2018	In order to enhance the internal control system at Regional level, we recommend that Regional directors perform unannounced checks on the petty cash register in Area Offices and keep the audit trail of their checks in a standardised form that should be immediately transmitted to HQ and FRMD.	We take note of this recommendation but would like to outline the fact that the petty cash are already monthly controlled and signed by the head of before being submitted to HQ. In line with Rec. 12 from the 2018 Special Report on Strengthening the Regional Presence, the feasibility of unannounced checks will be further investigated.	<p>Update as of December 2019:</p> <p>The BDT Director addressed on 23 August 2019 an internal memorandum on "Strengthening Internal Controls" to all BDT staff at professional and above levels. This memorandum covers such topics as banks accounts, petty cash and representation allowance, among others. In addition, FRMD has revised the Cash management and financial guidelines for Regional/Area Offices.</p> <p>Update as of September 2020:</p> <p>In the revised <i>Cash management and financial guidelines for Regional/Area Offices</i>, unannounced checks can be carried out by Regional Directors or FRMD.</p>	<p>Ongoing</p> <p>We will monitor the implementation in the contest of our next audits</p>
Rec. 15/2018	In order to enhance the effectiveness of the controls over duty travel related to the regional presence, we recommend setting up effective programmatic and technical monitoring through accurate, robust and consistent performance indicators, to assess whether the duty trip concerned is necessary for ITU, with the possibility of having an independent unit/body that will assess whether the duty trip has achieved its planned objectives.	ITU has taken note of Recommendation 15 and will study further enhancements in the monitoring of duty travel. Please note that every mission request form for BDT staff is submitted for approval to the supervisor, including Regional Directors. The approved mission request form is compulsory for raising an electronic travel authorization.	<p>Update as of December 2019:</p> <p>Annual mission plans were introduced and will continue in 2020.</p> <p>Update as of September 2020:</p> <p>This was planned to be implemented in 2020, however due to Covid, all mission travel was suspended. Implementation will resume once travel is resumed in the Covid recovery period.</p>	<p>Ongoing</p>

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Rec. 16/2018	Given that the fact that ITU staff frequently travel to and implement projects in their home countries may be a potential impairment for ITU independence with regard to Member States, the fact that ITU staff are travelling frequently and implementing projects in their home country, we recommend that, in order to avoid possible conflicts of interest, the Regional Directors and HQ should give careful consideration before sending staff on duty travel to their home countries, and at the same time monitor all duty travel adequately.	ITU has taken note of Recommendation 16 and will take it under review.	<p>Update as of December 2019:</p> <p>Under review.</p> <p>Update as of September 2020:</p> <p>This recommendation is still under review as all mission travel was suspended. Implementation will resume once travel is resumed in the Covid recovery period.</p>	Ongoing

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<p>Rec. 17/2018</p>	<p>In our opinion, action needs to be taken in each of the areas considered. Without prejudice to more detailed observations and recommendations being put forward at a later stage, we recommend that Management urgently enhance the level of internal control over HR, in particular with regard to hiring consultants, through a system involving the monitoring of their activities through key performance indicators and the adoption of specific operating Manuals, guidelines and checklists that could help assess the need to hire consultants and, ex-post, their evaluation.</p>	<p>Field Staff are subject to the same policy and procedure related to performance management and development, as established in Service Order 18/06 of 19 April 2018. That policy includes as a core principle the alignment of individual objectives with organizational objectives as established in the sectorial operation plans.</p> <p>As to the effective monitoring of the objectives assigned to the field staff, in the course of the design and implementation of the new performance evaluation system (E-PMDS), the HR Management Department has been working on reinforcing the establishment of work objectives through the development of stronger descriptors associated with those objectives (description of the objectives, related activities, KPIs, timeframe, partners and resources and constraints).</p> <p>With regard to the reinforcement of the recruitment and management policies procedures of consultants and experts, the HRM Department and BDT are working on the development of stronger procedures, also taking into consideration the recommendations established by the JIU in its ITU Management review as well as the recommendations made by the Internal Audit Unit. HRMD has been working on undertaking a "cleaning" exercise of the existing roster, which will include checking academic credentials and references of all candidates. HRMD is in contact with the UN regarding use of the newly created UN References check Centre in Bonn.</p>	<p>Update as of December 2019:</p> <p>Comments made are still valid.</p> <p>Update as of September 2020:</p> <p>The work on reinforcing and streamlining the policies and procedures in those areas have been progressing, in the context of the work done by the Internal Controls Group managed by the BDT. It covers the areas mentioned in the Comments column.</p>	<p>Ongoing</p>

N.	Recommendation made by the Italian Corte dei conti	Comments received from Secretary-General at the date of the audit report	Internal Auditor's Management Letter SG-SGO/IA/19-09	Status as reported by ITU Management (on IA's Management Letter)	External Auditor's Previous Recommendations in the Long Form and Special Reports	Status as reported by ITU Management (on EA's recommendations)	Status as assessed by the Italian Corte dei conti
Rec. 18/2018 (reference to Table 2 of report C19/40-E)	We recommend that Management take urgent action to implement the open recommendations by the IA and EA relating to regional activities, with particular regard to Procurement.	ITU takes note of this recommendation.	RE: Recommendations on the outdated Procurement procedures for projects/Funds-in-Trust				
			01/19-09/ML: It is recommended that FRMD/PROC Division in consultation with the Director, BDT, reviews the relevance and validity of -as well as the risk containment by- the Basic Rules for procurement of equipment for I.T.U technical cooperation and assistance projects.	<i>Ref Document CWG-FHR 10/15 (Sept 2019): Point 7</i> Implemented <i>These Basic Rules have been abrogated by C-19 and replaced by the new Procurement Manual.</i>	Report n. C17/40-E Audit of Financial Statements for 2016 Recommendation n. 4 We share the Internal Auditor's view and recommend the adoption of: A) a Procurement manual covering all the steps of the procurement process according to the UN best practices on the subject and, also; B) implementation measures with policies and procedures that should serve as guidance to all staff members involved in the various stage of the procurement process	Update as of April 2018: <i>In progress.</i> <i>The Procurement Manual is in progress of being drafted.</i> Update as of December 2018: <i>This is included in the Procurement Manual which has been drafted and is foreseen to be promulgated in early 2019.</i> Update as of April 2019: <i>None</i> Update as of December 2019: <i>Implemented. ITU Procurement Manual has been promulgated in June 2019.</i> Update as of September 2020 <i>Implemented</i>	Ongoing We will monitor the implementation in the contest of our next audits
			02/19-09/ML: To ensure greater procurement transparency and accountability, IA recommends the use of a single procurement method across the Union by Chief, FRMD issuing the expected ITU Procurement manual immediately.	<i>Ref Document CWG-FHR 10/15 (Sept 2019): Point 7</i> Implemented <i>See above</i>	Report n. C17/40-E Audit of Financial Statements for 2016 Recommendation n. 5 We therefore recommend that ITU introduce a written procedure to be followed by ITU's staff for procurement cases below CHF 20.000. Suggestion n. 2 Furthermore we suggest that ITU should revise the threshold for soliciting a minimum of three quotations to guarantee the sound	Update as of December 2019: <i>Implemented as per ITU Procurement Manual of June 2019.</i> Update as of September 2020 <i>Implemented</i>	Ongoing We will monitor the implementation in the contest of our next audits

N.	Recommendation made by the Italian Corte dei conti	Comments received from Secretary-General at the date of the audit report	Internal Auditor's Management Letter SG-SGO/IA/19-09	Status as reported by ITU Management (on IA's Management Letter)	External Auditor's Previous Recommendations in the Long Form and Special Reports	Status as reported by ITU Management (on EA's recommendations)	Status as assessed by the Italian Corte dei conti
					financial management of the process		
			03/19-09/ML: It is recommended that Head, FRMD/PROC implements a cumulative vendor payments monitoring on a consistent timely basis as part of the check to ensure small amounts are not escaping under any set thresholds of review.	Ref Document CWG-FHR 10/15 (Sept 2019) Point 8 Implemented Procurement has implemented new procedures to do this on a monthly basis	Report n. C18/40-E Audit of Financial Statements for 2017 Recommendation n. 7 We recommend that PROC should prepare Guidelines covering all aspects of the procurement process below 20 KCHF to be communicated to the staff concerned. For instance, the Guidelines should consider the following: 1) which are the minimum elements of the requisitions; 2) how potential suppliers shall be identified; 3) that bidding is required and a minimum number of quotations is sought, unless properly justified by the client/requisitioner and previously approved by PROC; 4) how the evaluation of the quotations shall be performed; 5) how the Purchase Order/Contract shall be awarded.	Update as of December 2019: Implemented as per ITU Procurement Manual of June 2019. Update as of September 2020 Implemented	Ongoing We will monitor the implementation in the contest of our next audits
					Report n. C18/40-E Audit of Financial Statements for 2017 Recommendation n. 8 We recommend that all procurement process (from the tender dossier to the contract awarded) should be properly documented so as to ensure accountability, transparency and auditability.	January 2020 Implemented Update as of September 2020 Implemented	Ongoing We will monitor the implementation in the contest of our next audits

N.	Recommendation made by the Italian Corte dei conti	Comments received from Secretary-General at the date of the audit report	Internal Auditor's Management Letter SG-SGO/IA/19-09	Status as reported by ITU Management (on IA's Management Letter)	External Auditor's Previous Recommendations in the Long Form and Special Reports	Status as reported by ITU Management (on EA's recommendations)	Status as assessed by the Italian Corte dei conti
					Report n. C18/40-E Audit of Financial Statements for 2017 Recommendation 9 We recommend that a Declaration of Absence of conflict of interest (DACI) should be signed by the staff involved in the procurement process stating that they do not have any conflict of interest that may affect the procurement process.	Update as of December 2019: <i>Implemented as per ITU Procurement Manual of June 2019. Key staff have been identified for signing the DACI and each time vendors are proposed for above CHF 5,000, the requestors sign such a form.</i> Update as of September 2020 <i>Implemented</i>	Ongoing We will monitor the implementation in the contest of our next audits
					Report C18/125-E Special Presence Recommendation 15 We recommend that, since the Basic Rules are obsolete, ITU should adopt a new Procurement Manual covering both the regular budget and the extra-budgetary funds.	Update as of December 2019: <i>Implemented as per ITU Procurement Manual of June 2019.</i> Update as of September 2020 <i>Implemented</i>	Ongoing We will monitor the implementation in the contest of our next audits
					Report C18/125-E Special Presence Recommendation 17 We recommend that the Evaluation Group should be set up by the Procurement Division, in accordance with the Project Management Guidelines, chapter 4.2.2, point c), which states that the whole process for the procurement of goods and services is the responsibility of the Procurement Division.	Update as of December 2019: <i>This point has been taken into account in the new Procurement Manual. A new post has been created in BDT for evaluation and reporting.</i> Update as of September 2020 <i>Implemented</i>	Ongoing We will monitor the implementation in the contest of our next audits

N.	Recommendation made by the Italian Corte dei conti	Comments received from Secretary-General at the date of the audit report	Internal Auditor's Management Letter SG-SGO/IA/19-09	Status as reported by ITU Management (on IA's Management Letter)	External Auditor's Previous Recommendations in the Long Form and Special Reports	Status as reported by ITU Management (on EA's recommendations)	Status as assessed by the Italian Corte dei conti
					Report C18/125-E Special Report on Regional Presence Recommendation 18 In order to minimize risks for ITU, we also recommend that the Project Manager should not be appointed as a member of the Evaluation Group and that the Procurement Division should be the Coordinator of the Evaluation Group rather than the Project Manager.	Update as of December 2019: <i>This point has been taken into account in the new Procurement Manual.</i> Update as of September 2020 <i>Implemented</i>	Ongoing We will monitor the implementation in the contest of our next audits
					Report C18/125-E Special Report on Regional Presence Recommendation 19 In line with recommendation n. 11 of our Long-Form report on the audit of ITU's financial statements for 2016, we recommend that a specific and detailed Declaration of absence of conflict of interest (DACI) should be provided duly signed by all the people involved in the procurement process.	Update as of December 2019: <i>This point has been taken into account in the new Procurement Manual. The concept paper is under review to enhance the Financial Disclosure form to include specific reference to accountability and to extend the obligation to file annually to all professional staff and Elected officials and potentially to all staff.</i> Update as of September 2020: <i>A new financial disclosure policy has been implemented.</i>	Ongoing We will monitor the implementation in the contest of our next audits
					Report C18/125-E Special Report on Regional Presence Recommendation 20 Since we do not consider	Update as of December 2019: <i>The review and update of the current ITU Project</i>	Ongoing

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					that the Project Management Guidelines, which should be directly and clearly linked to Procurement Rules, are sufficiently detailed, we recommend amending the Project Management Guidelines in order to better explain the role of the Procurement Division and make reference to the rules and procedures applicable to procurement.	<p><i>Management Guidelines will initiate in January 2020, with a group of ITU staff which recently took part in the project management training and certification. A representative of the Procurement Division will take part.</i></p> <p>Update as of September 2020:</p> <p><i>The new ITU Project Management Manual was approved and introduced in July 2020. The project support division is currently implementing an adoption plan to support the process to introduce the new principles established by the manual.</i></p>	
			Recommendations on the lack of fraud awareness among PROC staff				
			<p>04/19-09/ML: It is recommended that Chief, FRMD organizes for PROC staff awareness training on the vulnerabilities and risks associated with fraud schemes that ITU could be exposed to.</p>	<p>January 2020</p> <p>A staff awareness training on the vulnerabilities and risks associated with fraud schemes that ITU could be exposed to, will be organised in 2020 for PROC staff.</p>	<p>Report n. C18/40-E Audit of Financial Statements for 2017 Recommendation n. 5</p> <p>We recommend that Management improve controls on Purchase Orders/Contracts repeatedly awarded to the same supplier in order reduce the risk that ITU procurement rules and procedures being bypassed or not correctly applied.</p>	<p>Update as of December 2018:</p> <p>The implementation is planned in January 2019.</p> <p>Update as of April 2019:</p> <p>Implemented. New procedures regarding procurement below CHF 20,000 introduced on 1 April 2019. Threshold to seek a minimum of 3 quotes is now set at CHF 5,000. Awards without bidding is limited to CHF</p>	<p>Ongoing</p> <p>We will monitor the implementation in the contest of our next audits</p>

N.	Recommendation made by the Italian Corte dei conti	Comments received from Secretary-General at the date of the audit report	Internal Auditor's Management Letter SG-SGO/IA/19-09	Status as reported by ITU Management (on IA's Management Letter)	External Auditor's Previous Recommendations in the Long Form and Special Reports	Status as reported by ITU Management (on EA's recommendations)	Status as assessed by the Italian Corte dei conti
						5,000 per transaction and CHF 20,000 per calendar year and vendor. Update as of December 2019: Implemented as of April 2019. Update as of September 2020 <i>Implemented</i>	
			05/19-09/ML: It is recommended that the Chief, HRMD, includes in the standard ITU Staff mandatory training a module on fraud awareness and schemes.		Report n. C18/40-E Audit of Financial Statements for 2017 Recommendation n. 6 We recommend Management to update the ITU SRM software to allow the monitoring of Purchase Orders/contracts executed in case of waiver of competition.	Update as of December 2018: This is part of the contract management project which is foreseen to be concluded in 2019. Update as of April 2019: None Update as of December 2019: Implemented as of June 2019. Update as of September 2020 Implemented. Mandatory trainings have been put in place.	Ongoing We will monitor the implementation in the contest of our next audits
					Report C18/125-E Special Report on Regional Presence We recommend organizing regular training for all staff involved in the procurement process in the Regional Offices and Area Offices.	Update as of December 2019: <i>ITU conducted a first comprehensive project management training and certification in November 2019 for ITU staff (BDT – HQ and Regional/Area offices, Secretariat, BR, TSB) involved in the development, planning, implementation and</i>	Ongoing We will monitor the implementation in the contest of our next audits

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						<p>support of ITU projects. Due to the success of this first training, a second group and training will be planned for 2020.</p> <p>Update as of September 2020:</p> <p>Procurement training for Regional Office staff took place in November 2020</p>	
Recommendation on the ineffective oversight role at the level of the RO							
			<p>06/19-09/ML It is recommended that the Director, BDT strengthens the oversight at the regional office level by providing more details on the roles, responsibilities and accountabilities of the Regional Directors and holds them accountable for those oversight responsibilities (with the right balance between trust and accountability).</p>	<p>Ref Document CWG-FHR 10/15 (Sept 2019) Point 6 Implemented</p> <p>The BDT Director addressed on 23 August 2019 an internal memorandum on "Strengthening Internal Controls" to all BDT staff at professional and above levels. This memorandum covers such topics as banks accounts, petty cash and representation allowance, among others. In addition, FRMD has revised the Cash management and financial guidelines for Regional/Area Offices.</p> <p>Mail from R. Barr 18/10/2019: copy of the Memo mentioned below</p>	<p>Report C18/125-E Special Report on Regional Presence Recommendation n. 13</p> <p>In relation to bank operations, we recommend that a strict procedure should be implemented for all the ROs, whereby the third signature for bank operations should be provided by the RD, even where the operation is carried out at Area Office level. The RD can thus be held responsible for all the transactions with banks. In our view, a revision of the procedure with UNDP is also necessary in order to avoid the personal accounts of staff members being involved in any ITU operations.</p>	<p>ITU has taken note of Recommendation n. 13. However, ITU wishes to outline the difficulties for implementing this recommendation due to staff constraints and availability of RD. Requesting a third signature for all the bank transactions will certainly slow down the process and have a negative impact on efficiency of field offices.</p> <p>Update as of September 2020:</p> <p>Revised guidelines for petty cash have been shared with regional and area colleagues. Information meetings were held between Finance and all External Offices to explain the processes.</p>	<p>Ongoing</p> <p>We will monitor the implementation in the contest of our next audits</p>

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			07/19-09/ML: It is recommended that the Director, BDT strengthens the oversight at the project levels by a fine-tuned defining of the roles, responsibilities and accountabilities of staff in the project management cycle before, during and after its implementation.	<i>Ref Document CWG-FHR 10/15 (Sept 2019): Point 9 In progress</i> <i>The procurement process to select a company for the delivery of project management training and certification and the review and update of the new project management manual has been finalized.</i> Update as of September <i>The new ITU Project Management Manual was approved and introduced in July 2020. The project support division is currently implementing an adoption plan to support the process to introduce the new principles established by the manual. The manual includes roles, responsibilities, and accountability of all actors involved in the projects</i>	Report C18/125-E Special Report on Regional Presence Recommendation n. 11 For accountability purposes, we recommend preparing a document summarizing all the delegations of authority, be they internal (who must sign what) or external (authorization for signature, such as bank movements and internet banking with the respective lines of responsibility).	ITU has taken note of Recommendation n. 11. As far as the bank movements are concerned this document already exists and is updated each time there is a staff movement. The coordination with the banks is also done to make sure they follow the instructions given by the HQ. Internal coordination will take place for creating a summary document for the delegation of authority. Update as of September 2020: In July 2020, as part of the RBM process, BDT implemented a Delegation of Authority document which contained approval thresholds applicable to RDs, establishing a \$15,000 threshold for expenditure approvals at the RD level with clear accountability lines.	Ongoing We will monitor the implementation in the context of our next audits
			08/19-09/ML: It is also recommended that the Chief, HRMD, in collaboration with the Director, BDT promptly implements the recommendations as per	<i>Ref Document CWG-FHR 10/15 (Sept 2019) Point 16 In progress</i> <i>The members of the Coordination Committee of ITU have agreed on the principle.</i>			Ongoing

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			the inspection report of IA from 2016, including the introduction of competitive procedures for selection of consultants.	Update as of September 2020 : <i>Under implementation A new e-recruitment system is under procurement</i>			
			09/19-09/ML: It is recommended that the Chief, HRMD in collaboration with the Director, BDT re-enforces the evaluation system/process applicable at the end of each SSA consultant's mandate. This should include introducing at least a two level sign-off (meaning the direct supervisor/recipient of the SSA services and a hierarchical manager of that supervisor) as well as a documented "blacklisting" of those SSA individuals whose performance was not satisfactory.	<i>Ref Document CWG-FHR 10/15 (Sept 2019) Point 17 In progress</i> Update as of September 2020 : <i>In progress SSA's deliverables are now uploaded in BDT portal before payments.</i>			Ongoing
			10/19-09/ML It is also recommended that the Director, BDT in collaboration with the Chief, HRMD establishes the pre-checked talent roster principle by compiling and maintaining a living active up to date roster	<i>See Mail from R. Barr 9/10/2019 In progress</i> Update as of September: <i>In progress</i>			Ongoing

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			of valid SSA candidates with pre-checked CV's confirming proven histories of viable experience/academic qualifications.				
			11/19-09/ML It is also recommended that the Director, BDT ensures that work of experts is verified by the concerned Head of Department or Regional Director and stored in a database where it can be accessed with a view of ensuring that the hiring manager and hierarchical supervisor are accountable and confirming that the report is of the required quality.	Update as of September: <i>In progress</i> <i>SSA's deliverables will be uploaded in BDT portal before payments</i>			Ongoing

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Rec. 19/2018	<p><u>With a view to remedying promptly the issues</u> that were detected long ago, we reiterate our recommendations to the effect that, in order to prevent the risk of inaccuracies and delays in data processing, Management should:</p> <p>1) implement extraordinary measures to clear the backlog in personal files and update them all within as short a time as possible, giving high priority to this task;</p> <p>2) take urgent action, including through investment in external services, to enhance the HR ERP system and solve the issues/bugs identified in the implementation plan within an established timeframe.</p>	<p>The recommendation is supported.</p> <p>Organizational measures have been taken in the HRM Department for clarifying the responsibilities in the area of the determination of entitlements and their processing, and reinforcing the human capacities. A review of related business processes in also undertaken for streamlining them and reinforcing the quality control through a better segregation of responsibilities in the HRM Department.</p> <p>In addition, from a system point of view, HRMD and the IS Department launched in the beginning of 2019 a 2 years HR-enhancement project which will address several of the above mentioned deficiencies in ERP system.</p> <p>Secondly, the DSG has established a Task Force to automate (self-services) and digitize manual forms used by staff in their interaction with HRMD concerning benefits, entitlements, pension, insurances etc.</p>	<p>Update as of September 2020:</p> <p>The backlog has been cleared with the assistance of an additional short term human resources</p> <p>Reinforcement of the integration of the existing business processes into the ERP system for reducing manual processing and introducing more automation, with an objective of simplification, reduction of time processing, and reduction of risks has been established as a priority. HRMD has been working with the IS Department on an SAP HR Enhancement project prioritizing a list of 73 items to be addressed, from bugs resolving to development of new functionalities.</p> <p>Digitization of administrative forms have been completed. A further development is being worked with the ISD for their integration into the Employee Self Service environment as well as in the HR ERP system.</p>	Ongoing
Rec. 20/2018	<p>In order to ensure the successful achievement of the new strategic framework, we recommend that Management should urgently:</p> <p>1) explore ways to streamline the current workflows and procedures affecting the HR management functions and decide on the degree of autonomy desired to attain more efficiency and greater accountability (starting from those procedures which have revealed major weaknesses, such as the recruitment of consultants);</p>	<p>The recommendations are supported. As mentioned vis-à-vis the recommendation No. 19, a review of existing processes and workflows is underway with a view to streamlining, simplifying and automating those processes, and for a better integration into the ERP environment.</p> <p>As to the inventory of technical competencies, which represents the third pillar of the newly implemented competency framework, the completion of the exercise is part of the implementation of the new HR Strategic plan established for submission to the Council session 19 for approval, and as part of succession planning activities.</p>	<p>Update as of September 2020:</p> <p>1) this objective is fully integrated into the project referred to vis-à-vis Rec. 19/2018</p> <p>2) The development of the third pillar of the ITU competency framework has been completed. The technical competencies have been identified from the main domains of expertise of our Organization and compiled into a catalogue. Each of the domain is further divided by Job Title with a corresponding list of competencies attached</p>	Sub 1) Ongoing Sub 2) Closed

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	2) complete the inventory of competencies including those of a technical nature; this can be the only basis for identifying the current HR internal potential and the additional operational skills needed to keep pace with the high standards of service desired for ITU.		to it. The ITU Technical Competencies Catalogue is being integrated in the ITU Competency Framework (Service Order 18/03) and e-PMDS. All ITU staff establishing their 2020 e-PMDS will be assessed against these technical competencies.	
Rec. 21/2018	We [...] recommend that the Ethics Officer ensure an adequate degree of confidentiality through a better protection of the identity of the whistleblower.	<p>The degree of confidentiality that the organization can guarantee in relation with the identity of a whistleblower is established in the relevant ITU legal texts and as to be evaluated by taking also into consideration the other obligations imposed on the organization throughout an investigation process and a disciplinary action, in terms in particular of due process and protection of the right to defence of all parties involved in a specific case (alleged offender(s) or perpetrator(s), witnesses,).</p> <p>Service Order 11/04 on the ITU policy for the protection of Staff against retaliation for reporting misconduct is establishing that Protection of the identity of a staff member who reports misconduct or who cooperates with a duly authorized official, auditor investigation, will be maintained to the extent possible within the legitimate needs of the ITU's Regulations and Rules, the requirements related to the investigation as well as the obligation for the organization to respect the principle of due process. Should such a staff member himself or herself disclose his or her identity, ITU will not be obliged to maintain confidentiality. In addition, Service Order 19/10 in investigation guidelines is also establishing confidentiality principles, in its paras 8 to 11. It establishes in particular that unauthorized disclosures of the identity of a complainant, a subject of the investigation or a witness, any other investigative information, or any other information that current or former ITU personnel may have obtained relating to the investigation process constitutes a breach of confidentiality and may result in administrative action,</p>	<p>Update as of September 2020:</p> <p>The new Service Order 20/06, Policy and Protection for Reporting Misconduct (Whistleblowing) was promulgated in September 2020. Service Order 20/06 contains strengthened provisions that describe the confidentiality provided to whistleblowers in order to ensure an adequate degree of confidentiality to better protect of the identity of whistleblowers and to ensure an adequate degree of confidentiality when there may be requests from judicial authorities.</p>	Ongoing (superseded by recommendation n. 7/2019)

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		including a disciplinary action pursuant to the relevant provisions of the ITU Staff Regulations and Staff Rules.		
Rec. 22/2018	We also recommend that a visible part in the public ITU website be urgently prepared in order to dedicate and facilitate the whistleblowers' communication with ad-hoc selected staff, like for instance the Ethics officer.	Information on the Ethics office and the ITU Ethics related policies are available on the ITU external website (https://www.itu.int/en/general-secretariat/Pages/ethics.aspx). However, giving more visibility to external visitors will be considered.	Update as of September 2020 In addition to the external Ethics webpage, which contains the ITU ethics-related policies and the contact information for the Ethics Office, there is now a Helpline for individuals to communicate with the Ethics Office through a private, encrypted email account, which is hosted by an independent (non ITU). A "report misconduct" link, which directs users to the contact details for the Helpline, is also on every ITU webpage.	Closed
Rec. 1/2017	<u>We recommend</u> that Management, in the evaluation process of the projects and studies for the fulfilment of the new HQ premises, consider the needs of the Union in a long-term period, also taking into account the ITU Human Resources Strategic Plan.	The Management Board of the Building project has taken note of this recommendation. The on-going discussions and studies aimed at supporting the decision making process on a certain number of options related to the design, dimensioning, etc. of the new building and which are based on projections of the number of staff (regular and non-staff) which could be in service on the date of delivery of that new building.	Update as of December 2018: The options related to the design, dimensioning, etc. of the new building are indeed based on projections of the number of staff (regular and non-staff) which could be in service on the date of delivery of that new building. Update as of April 2019: The Management Board of the Building project has dimensioned the New Building according to the expected needs at the time of opening, for all constituencies of occupant: this is also expected to be sufficient for the long-term needs. Update as of December 2019: The project design, budget and number of workspaces have been approved at the additional council session in September 2019. Those have been dimensioned based on projections of the number of staff (regular and non-staff) received from HRMD and are expected to be sufficient for the long-term needs of the organization.	Ongoing

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			<p>Update as of September 2020: As a result of COVID-19, the workplace will be forever changed. It's going to be modified in strategic ways, incorporating new practices, new protocols, and new technologies. These changes will incorporate the lessons learned from our extended time working from home. In the context of the pandemic, the ITU has proven that it can work effectively using teleworking and to the extent possible electronically. To address the latter of aspects that must be treated, the secretariat recommended consultants may need to be contracted. Consequently, a tender was issued beginning of September to appoint a specialised firm to develop a HR Staff Working Conditions Implementation Plan. Given the most recent impact of Covid19 on work practices among which teleworking, and homeworking became necessary, the first deliverable will include initial outcomes and findings on ITU job profiles, work practices and recommendations to be considered for the implementation into the staff relocation proposal and new building office space allocation and/or design.</p>	
Rec. 2/2017	<p><u>We recommend</u> that, in order to mitigate the risk of inaccuracies, Management should:</p> <ol style="list-style-type: none"> 1) implement extraordinary measures (such as an ad hoc task force) to clear the backlog in personal files within as short a time as possible; 	<p>The recommendations are fully supported. The HRM Department has been working on a series of actions (short, mid and long term) aimed at addressing the various questions raised by the External Auditors, including:</p> <ul style="list-style-type: none"> - a reorganization of the HRM Department, completed in 2017; 	<p>Update as of December 2018:</p> <p>The complete list of HR related IT requirements has been submitted to the IS Department and a project called HRMD Enhancements 2019-2020 has been launched.</p>	<p>Ongoing</p>

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	<p>2) rationalize the flows for data storage and management, thereby correcting the current fragmentation;</p> <p>3) invest in IT resources, to eliminate any manual inputs related to the new compensation package, following a list of pre-established urgencies, and</p> <p>4) enhance the salary payment function by introducing further checks on the payroll.</p>	<ul style="list-style-type: none"> - a business-processes review for evaluating the existing processes and procedures, with the view to streamline the existing ones and establishing the new ones required, e.g., for supporting the implementation of the new compensation package (more particularly the new education grant scheme); - the completion of a comprehensive list of IT requirements, for discussion with the IS Department, for establishment of an action plan, covering the shortfalls existing into the systems, the development of new functionalities, the automation of existing manual processes, the development of additional ESS (employee self-services) functionalities, etc.; - the review and, if necessary, redesign, of the e-filling project launched in 2010 for dematerializing the information managed by the HRM Department, with an integration of that information into a stronger and more comprehensive information management system. 	<p>The principal objective of the Project is to add new functionalities, enhance existing process and “fix bugs” in the current SAP HRMD modules which include Personnel Management (HR Admin, Benefits & Entitlements, etc.), Payroll, Employee/Manager Self services and interfaces with external systems such as UNJSPF and Cigna.</p> <p>The project covers the following key activities:</p> <ol style="list-style-type: none"> 1. Review the requirements list (see spreadsheet xyz) provided by HRMD. 2. Develop an implementation plan. 3. Procure external services, if needed. 4. Configure and develop solutions for the requirements specified in the requirements list. 5. Support HRMD during the project and post go-live. <p>In parallel to this project, an “e-filling” project is also being designed for launching in the course of 2019.</p> <p>Update as of April 2019:</p> <p>The last actions related to the HMD reorganizations have been taken in the course of April/May 2019. Amongst those actions are the reinforcement of the Payroll section. In addition to the advertisement of a P2 position, a staff member has been</p>	

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

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			<p>responsibilities in between the Staff Administration Service and the Payroll service has also been almost completed.</p> <p>Update as of September 2020:</p> <p>Although the COVID-19 situation have been having an impact on the various projects, the review of the HR related ITU functionalities continues and some of the priorities identified are about to be completed, such as the integration of the education grant scheme into the SAP-HRM module.</p> <p>The project related to e-filing is being re-evaluated since a large majority of HR actions had to be managed remotely and in an electronic format. The level of dematerialization of documents has been significantly increased in the context of teleworking imposed by the COVID-19 confinement. This reinforces the need of putting in place a strong information management architecture, policies and tools.</p>	
<p>Rec. 3/2017</p>	<p><u>We recommend</u> that an intense preparatory activity be carried out in advance of the Strategic Plan for human resources, so as not to delay its implementation once it has been adopted in spring 2019. This should include: (i) a thorough skill gap analysis, with respect to internal potential of available resources, including technical skills, based on the outcome of the new assessment tool and the Competency Framework; (ii) the identification of sensitive posts and the preparation of a succession plan for the short and medium terms; (iii) a streamlining of the services and processes prior to determining the minimum</p>	<p>The recommendation is supported. The elements listed under (i) to (iv) are integral part of the development of the HR Strategic plan to be submitted to the 2019 Council session for approval, based on the ITU Strategic plan and the Financial plan to be approved by the 2018 Plenipotentiary Conference in Dubai.</p>	<p>Update as of December 2018:</p> <p>The development of an HRSP has been endorsed by the PP-18 through its inclusion into Resolution 48 on HR management and development. IT is now being developed by HR, in consultation with all internal partners (Bureaux and Departments, Coordination Committee, Staff Council, Joint Advisory Committee...) for its submission to the 2019 Council session for approval. It will include all the items mentioned in the recommendation.</p>	<p>Ongoing</p>

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	size of the staff requested to fulfill the institutional functions, and (iv) the criteria for internal vs external recruitment and for the use of non-staff and short-term personnel.		<p>Update as of April 2019:</p> <p>The ITU People Strategy and the HR Strategic Plan (20-23) have been developed by HRMD based on a consultative process conducted from 15 January to 15 March 2019 with Bureaux and General Secretariat (GS) as well as Staff Council.</p> <p>This consultative process consisted of an extensive communication through memoranda and presentations on the new ITU People Strategy as well as on the potential structure and content of the HRSP.</p> <p>Following these presentations, each Bureau/SG Department and the Staff Council have been requested to provide inputs by 15 March 2019 both on the narrative sections of the ITU People Strategy and on the specific needs to be reflected in the HRSP. Inputs and comments have been received across all sectors and reflected in this final document.</p> <p>This process has been essential to translate the priorities and goals of the ITU People Strategy (Pillar 1, 2, 3 and 4 as described in Section 5 of the Annexed ITU People Strategy 20-23) into an HRSP driven by the specific needs of the Bureaux/ SG Departments and in line with the overall ITU priorities and goals.</p> <p>While the scope of a consultative process by Bureau and SG Department was to ensure the identification of specific needs for a more targeted approach, the HRSP aims at supporting through HR functions the Organization as of being "One ITU". This was</p>	

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			<p>also strongly recommended by internal stakeholders which has resulted in "One HRSP".</p> <p>All the elements mentioned in the recommendation are integrated into the final product, which is now ready for submission to the C19 Council session.</p> <p>Update as of December 2019:</p> <p>The HR Strategic plan for 2020-2023 resulting from the process described above has been approved by the 2019 Council session. Its implementation is in progress and reports on that implementation status will be submitted to the 2020 Council session.</p> <p>Update as of September 2020:</p> <p>The September 2019 comment remains valid. A report had been prepared for submission to the 2020 Council session but was not considered by the Virtual council consultation In June 2020. It has been postponed and scheduled for consideration at the next Council session.</p>	
Rec. 4/2017	<p><u>We recommend</u> introducing a Policy/Guideline that 1) will avoid automatic extension of contracts in force; 2) will consider it necessary to perform a supplier/market evaluation, before the decision to extend a contract is taken by management.</p>	<p>ITU agrees that a policy should be put in place that contracts should not be automatically extended. ITU also agrees that a vendor performance evaluation should be done before a contract is extended. If the contract has extension options, it should not be necessary to carry out a market evaluation. However, if a contract is extended beyond its extension options, a market evaluation may be carried out as part of the justification for such an extension.</p>	<p>Update as of December 2018:</p> <p>This is included in the Procurement Manual which has been drafted and is foreseen to be promulgated in early 2019.</p> <p>Update as of April 2019:</p> <p>None</p> <p>Update as of December 2019: The ITU Procurement Manual in para. 12.2.1 clearly states that contracts shall not be automatically extended, and that such</p>	Closed

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			<p>extension shall be done following a satisfactory vendor performance evaluation. Contracts for ongoing requirement shall typically have a maximum duration of 5 years after which time the market shall be revisited.</p> <p>Update as of September 2020: Implemented</p>	
<p>Rec. 5/2017</p>	<p><u>We recommend</u> that Management improve controls on Purchase Orders/Contracts repeatedly awarded to the same supplier in order reduce the risk that ITU procurement rules and procedures being bypassed or not correctly applied.</p>	<p>ITU agrees that controls be introduced to reduce the risk of ITU procurement rules and procedures being bypassed.</p>	<p>Update as of December 2018: The implementation is planned in January 2019.</p> <p>Update as of April 2019: Implemented. New procedures regarding procurement below CHF 20,000 introduced on 1 April 2019. Threshold to seek a minimum of 3 quotes is now set at CHF 5,000. Awards without bidding is limited to CHF 5,000 per transaction and CHF 20,000 per calendar year and vendor.</p> <p>Update as of December 2019: Implemented as of April 2019.</p> <p>Update as of September 2020: Implemented</p>	<p>Closed</p>

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Rec. 6/2017	<u>We recommend</u> Management to update the ITU SRM software to allow the monitoring of Purchase Orders/contracts executed in case of waiver of competition.	ITU agrees that if technically possible, the basis of award (waiver or competition), should be recorded in the SRM system.	<p>Update as of December 2018: This is part of the contract management project which is foreseen to be concluded in 2019.</p> <p>Update as of April 2019: None</p> <p>Update as of December 2019: Implemented as of June 2019.</p> <p>Update as of September 2020: Implemented</p>	<p>Ongoing</p> <p>We will monitor the implementation in the contest of our next audits</p>
Rec. 10/2017	<u>We recommend</u> that for any procurement a written confirmation statement should be obtained from the supplier confirming that the company adheres to the UN Supplier Code of Conduct.	ITU agrees with this recommendation and intends to have all vendors registered in the United Nations Global Marketplace (UNGM). As part of this registration process a vendor confirms to having read and understood the UN Supplier Code of Conduct.	<p>Update as of December 2018: Ensuring that all vendors are registered in UNGM is an on-going project. ITU foresees that by 2019 all vendors being awarded contracts/POs are registered in UNGM as a pre-requisite.</p> <p>Update as of April 2019: Partially implemented</p> <p>Update as of December 2019: Implemented. See para. 5.1.2 of the ITU Procurement Manual. All new vendors are required to register on UNGM and as such confirm adherence to the UN Supplier Code of Conduct.</p> <p>Update as of September 2020: Implemented</p>	<p>Closed</p>

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Rec. 1/2016	<p>Considering the retirement projection for the next ten years and the risk of discontinuity potentially involved, <u>we recommend</u> that Management should adopt a formal succession planning strategy, to be integrated in the HR Strategic Plan. This strategy should specify critical roles and positions against ITU objectives and needs, and set out plans for the immediate future (transfer of knowledge) and for the longer term (based, amongst other things, on the inventory of skills provided in the recent Competency framework to identify the internal potential to take over).</p>	<p>HRMD will consult the Bureau and GS Departments to develop a succession planning strategy aimed at preserving institutional knowledge and ensuring continuity in the delivery of the mandate of the Union.</p>	<p>Update as of April 2018:</p> <p>The HRMD service responsible for this action being deeply involved in the implementation of the new e-PMDS (performance management and development system), confirms that the recommendation will be implemented in the first quarter of 2018</p> <p>Update as of December 2018:</p> <p>The development and implementation of the HR Strategic plan (HRSP), to be approved by the 2019 Council session will focus, inter alia, on reinforcing the enhanced workforce diversity and agility (aligning ITU workforce to the ITU goals) through a series of action lines, including:</p> <ul style="list-style-type: none"> • Balanced and diversified workforce when it comes to staff in Professional and higher versus General Service categories; age, gender parity at all levels and geographical distribution. • A Fit-for-purpose workforce, including identification of duplication or overlap of work. • Alignment between the Union's strategic priorities and staff functions and posts. • A common basis for required competencies and skills based on analysis and gap assessments (designing skills and competency profiles), so as to ensure the right people in the right positions, also through mobility and functional rotations. 	<p>Closed</p>

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			<ul style="list-style-type: none"> • Succession Planning as a means to streamline planning and earlier identification of need. <p>Update as of April 2019: Those elements are integral part of the draft HR Strategic plan prepared (see recommendation 3/2017 above) for submission to the C19 Council session for approval.</p> <p>Update as of December 2019: The HR Strategic plan for 2020-2023 resulting from the process described above has been approved by the 2019 Council session. Its implementation is in progress and reports on that implementation status will be submitted to the 2020 Council session.</p> <p>Update as of September 2020: The September 2019 comment remains valid. A report had been prepared for submission to the 2020 Council session but was not considered by the Virtual council consultation In June 2020. It has been postponed and scheduled for consideration at the next Council session</p>	
Rec. 4/2016	We share the Internal Auditor's view and <u>recommend</u> the adoption of: A) a Procurement manual covering all the steps of the procurement process according to the UN best practices on the subject and, also; B) implementation measures with policies and procedures that should serve as guidance to all staff members involved in the various stage of the procurement process.	ITU accepts this recommendation. A Procurement Manual is currently being prepared which will cover all steps of the procurement process and provide guidance on policies and procedures to all staff involved in the various steps of the procurement process.	<p>Update as of April 2018: In progress. The Procurement Manual is in progress of being drafted.</p> <p>Update as of December 2018: This is included in the Procurement Manual which has been drafted and is foreseen to be promulgated in early 2019.</p>	Closed

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			<p>Update as of April 2019: None</p> <p>Update as of December 2019: Implemented. ITU Procurement Manual has been promulgated in June 2019.</p> <p>Update as of September 2020: Implemented</p>	
<p>Rec. 6/2016</p>	<p><i>Enhancing the transparency of the procurement process</i></p> <p>We acknowledge that ITU Procurement Management publishes regularly all the contract award notices on UNGM, however, in order to enhance the level of transparency of the procurement process, <u>we recommend</u> that ITU should: A) inform individually all participating bidders as soon as the procurement process has been concluded or cancelled; B) arrange, if requested, a briefing with the unsuccessful/excluded bidders that participated in the procurement process, in order to give them the possibility to better compete for future solicitations; C) inform, during the briefing, vendors that were unsuccessful, on the reasons of why their bid was not successful.</p>	<p>It is the current practice of ITU to send letters of regrets (e-mail for below CHF 50'000) to all unsuccessful vendors informing that their bid has not been retained. The bid document invites vendors to request information about the assessment of their bid. ITU accepts the recommendation to also inform vendors in the letter of regret that they may request for information about the assessment of their bid and that this shall be included in the new Procurement Manual.</p>	<p>Update as of April 2018:</p> <p>In progress.</p> <p>The Procurement Manual is in progress of being drafted.</p> <p>Update as of December 2018:</p> <p>This is included in the Procurement Manual which has been drafted and is foreseen to be promulgated in early 2019.</p> <p>Update as of April 2019: None</p> <p>Update as of December 2019: Implemented. See para. 9.14 and 9.15 of ITU Procurement Manual.</p> <p>Update as of September 2020: Implemented</p>	<p>Closed</p>
<p>Rec. 7/2016</p>	<p>We recommend that ITU should ensure that clear pass/fail (or compliant/non-compliant) criteria are applied consistently for all ITBs.</p>	<p>It is the current practice of ITU to apply clear pass/pass fail criteria for all ITBs, which are determined prior to the issuance of the ITB. This practice shall be included in the new Procurement Manual.</p>	<p>Update as of April 2018:</p> <p>In progress.</p> <p>The Procurement Manual is in progress of being drafted.</p>	<p>Ongoing</p> <p>We will monitor the implementation in the contest of our next audits</p>

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			<p>Update as of December 2018: This is included in the Procurement Manual which has been drafted and is foreseen to be promulgated in early 2019.</p> <p>Update as of April 2019: None</p> <p>Update as of December 2019: Implemented. See para. 6.9.2 of the ITU Procurement Manual.</p> <p>Update as of September 2020: Implemented</p>	

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Rec. 8/2016	<p><i>Enhancing the role of the Appraisal Committee</i></p> <p><u>We recommend</u> that, in order to conduct the procurement process in a fair and transparent manner and taking into consideration best value for money: A) the Appraisal Committee should, during the evaluation process, apply the evaluation criteria and method as pre-defined in the solicitation document/tender dossier. In addition, we consider inappropriate the criteria set out in the RFP that “<i>bidders availability in mid November (2012) will be an important criteria of selection</i>” because it could restrict competition by limiting the participation of other vendors in the procurement process (in fact, in the procurement audited, the contract was only signed in February 2013); B) the Appraisal Committee should prepare clear Evaluation reports summarizing technical and commercial points in the bids, in order to have a clear ranking of the bid recommended for the contract according to the criteria set out in the tender file; C) in the event of exceptions from the principle of automatical rejection of late offers received, SO 14/06 should clearly state in which cases these exceptions apply.</p>	<p>It is the current practice of ITU to establish the evaluation criteria and evaluation methodology prior to the issuance of any tender and that the resulting evaluation reports clearly present the points awarded to each bidder and their individual ranking. This practice shall be included in the new Procurement Manual.</p>	<p>Update as of April 2018:</p> <p>In progress.</p> <p>The Procurement Manual is in progress of being drafted.</p> <p>Update as of December 2018:</p> <p>This is included in the Procurement Manual which has been drafted and is foreseen to be promulgated in early 2019.</p> <p>Update as of April 2019: None</p> <p>Update as of December 2019:</p> <p>The Appraisal Committee has been disbanded in the ITU Procurement Manual. The technical evaluation is now done by the Technical Evaluation Panel and the commercial evaluation is done by PROC. The evaluation process is clearly described in the Manual.</p> <p>Update as of September 2020:</p> <p>Implemented</p>	<p>Ongoing</p> <p>We will monitor the implementation in the contest of our next audits</p>
Rec. 9/2016	<p><i>Enhancing the mandatory technical assessment</i></p> <p>We recommend, as envisaged in the UN best practices, that for RFPs, only proposals meeting the mandatory and minimum requirements (or points) should be considered for commercial evaluation and commercial bids from vendors considered not to be technically compliant with the tender specifications should</p>	<p>It is the current practice of ITU to only evaluate the commercial proposals of vendors which are technically compliant. This practice shall be included in the new Procurement Manual.</p>	<p>Update as of April 2018:</p> <p>In progress.</p> <p>The Procurement Manual is in progress of being drafted.</p>	<p>Ongoing</p> <p>We will monitor the implementation in the contest of our next audits</p>

N.	Recommendation made by the Italian Corte dei conti	Comments received from Secretary-General at the date of the audit report	Status as reported by ITU Management	Status as assessed by the Italian Corte dei conti
	not be evaluated.		<p>Update as of December 2018: This is included in the Procurement Manual which has been drafted and is foreseen to be promulgated in early 2019.</p> <p>Update as of April 2019: None</p> <p>Update as of December 2019: Implemented. See para. 8.4.11 of the ITU Procurement Manual.</p> <p>Update as of September 2020: Implemented</p>	
<p>Rec. 10/2016</p>	<p><i>Monitoring the vendor performance</i></p> <p>We share the Internal Auditor's view and <u>we recommend</u> setting up a vendor's performance evaluation in order to monitor its performance and measures actual contract achievements with regards to quality, delivery, timeliness, cost control, compliance with terms of reference (TOR) or statement of work (SOW), as well as all other performance indicators established in the contract.</p>	<p>ITU accepts this recommendation. A policy on vendor performance management shall be included in the new Procurement Manual.</p>	<p>Update as of April 2018: In progress.</p> <p>The Procurement Manual is in progress of being drafted.</p> <p>Update as of December 2018: This is included in the Procurement Manual which has been drafted and is foreseen to be promulgated in early 2019.</p> <p>Update as of April 2019: None</p> <p>Update as of December 2019: Implemented. See para. 5.4 of the Procurement Manual.</p> <p>Update as of September 2020: Implemented</p>	<p>Ongoing</p> <p>We will monitor the implementation in the contest of our next audits</p>

N.	Recommendation made by the Italian Corte dei conti	Comments received from Secretary-General at the date of the audit report	Status as reported by ITU Management	Status as assessed by the Italian Corte dei conti
<p>Rec. 1/2015</p>	<p><i>The accuracy of the Asset Register need to be improved</i></p> <p>In this regard, <u>we recommend</u> that Management increase its efforts to recognize, label and capitalize the fixed assets located at ITU, in order to have a more accurate record of assets, through procedures and processes that will bolster coordination between different Departments.</p>	<p>The Secretariat will pursue the efforts already made to ensure that all assets are recorded in the respective databases.</p>	<p>Update as of end April 2017</p> <p>Improvements were made by a close collaboration between the different Departments in terms of consistency of data in the two SAP modules intended for asset accounting and equipment management at headquarters and the regional offices. In addition, a Service Order on inventory and protection of ITU equipment has been issued.</p> <p>Update as of April 2018:</p> <p>The different data in SAP equipment system and the SAP module for asset management are now synchronized. However, the matching of data is a permanent and regular exercise that will continue to be done by the concerned departments.</p> <p>Update as of December 2018:</p> <p>Current procedures and processes are being reviewed and the aligning of the revised processes with SAP is planned in 2019.</p> <p>Update as of April 2019:</p> <p>The new SAP inventory software and scanning system is planned for implementation in 2019.</p>	<p>Ongoing</p> <p>We will follow up this recommendation in the next financial year</p>

N.	Recommendation made by the Italian Corte dei conti	Comments received from Secretary-General at the date of the audit report	Status as reported by ITU Management	Status as assessed by the Italian Corte dei conti
			<p>Update as of December 2019: New SAP inventory software and scanning system is installed. All regional and area offices are provided with the scanners.</p> <p>Update as of September 2020: New SAP inventory software and scanning system has been installed by ISD/ERP team and functioning well. All regional and area offices are provided with scanners.</p>	
<p>Rec. 2/2015</p>	<p><i>A revision of the depreciation's coefficients is needed</i></p> <p>In this regard, we recommend that Management should review the different categories' lifetimes and their related depreciations according to UN practices. Where categories are updated, an adjustment of net book value will be needed.</p>	<p>The secretariat will further analyse this recommendation and its potential consequences.</p>	<p>Update as of end April 2017</p> <p>A study on the useful life was carried out in relation to other international organizations based in Geneva. The possible change in some categories' lifetime is under consideration and the decision to implement this recommendation is related to the construction of the new ITU building</p> <p>Update as of April 2018:</p> <p>None</p> <p>Update as of December 2018:</p> <p>Current depreciation parameters are being reviewed and are planned to be implemented.</p> <p>Update as of April 2019:</p> <p>SAP consultant is recruited to implement ERP system changes effective 2020.</p>	<p>Ongoing</p>

N.	Recommendation made by the Italian Corte dei conti	Comments received from Secretary-General at the date of the audit report	Status as reported by ITU Management	Status as assessed by the Italian Corte dei conti
			<p>Update as of December 2019:</p> <p>None</p> <p>Update as of September 2020: New depreciation parameters for building is applied effective 1st January 2020 in accordance with UN practices. Adjustments to net book value will be carried out accordingly in 2020 financial period. Amendments to Financial Rules and Regulations has been proposed to Council to remove the of CHF 5000, which will allow ITU to set lower capitalization threshold internally and capitalize low value items</p>	
<p>Rec. 3/2014</p>	<p>We <u>recommend</u> Management to perform a full actuarial review study, to evaluate when the ITU financial health, in the long-term scenario, might be compromised by the provisions of the Health Insurance Scheme. However, considering that the transition to the new scheme is still in progress, this study has to be performed after the separation from the SHIF and after sufficient data is available under the CMIP, not before the end of 2016. This recommendation replaces the previous n.6/2012 and n.3/2013, which are to be considered closed.</p>	<p>It is taken note of this recommendation. A full actuarial study will be performed according to the recommendation.</p>	<p>As recommended a full actuarial study will be performed at the end of 2016 based on the data and results provided by the Collective Medical Insurance Plan (CMIP).</p> <p>Update as of end-January 2016: The requirement of this study will be included in the main actuary study related to IPSAS 25 (Rec 2/2014)</p> <p>Update as of end April 2017: New actuaries have been chosen to perform a full actuarial study of the Health Insurance Scheme. The result of the full study will be known mid 2017</p> <p>Update as of December 2017: Discussions with the actuary have already started, and the final result of the full actuarial study should be sent to ITU beginning of next year to be presented to the next Council through the After-Service Health Insurance (ASHI) liability document.</p>	<p>Closed, with the following comment: The recommendation is superseded by the observation drawn to the attention of the Council in this report</p>

N.	Recommendation made by the Italian Corte dei conti	Comments received from Secretary-General at the date of the audit report	Status as reported by ITU Management	Status as assessed by the Italian Corte dei conti
			<p>Update as of April 2018: A final discussion to present the result of different scenario will take place during may 2018.</p> <p>Update as of December 2018: The result of the study has been received and shared with the CMIP Committee for its consideration.</p> <p>Update as of April 2019: The CMIP committee is still reviewing carefully the different options to ensure the long-term sustainability of the plan. Further to the result of the full actuarial study, the CMIP committee decided to study the option to join another Un Organization.</p> <p>Update as of December 2019: The Secretary-General based on the recommendation of the CMIP Committee decided to leave CIGNA as service provider and signed a contract to join UNSMIS starting 01.01.2020.</p> <p>Update as of September 2020: see above</p>	

N.	Recommendation made by the Italian Corte dei conti	Comments received from Secretary-General at the date of the audit report	Status as reported by ITU Management	Status as assessed by the Italian Corte dei conti
Rec. 4/2014	As remedial measures are needed, these drivers might be considered by the Council: we <u>recommend</u> Management, to monitor these drivers to ensure adequate pay-as-you-go and long-term funding	The funding of the health Insurance on a pay-as-you-go basis as well as of the ASHI actuarial liability is of upmost concern for the Union and is carefully monitored. The drivers mentioned here above have been, among others, taken into account while planning the transition to the CMIP and producing the 2014-2015 budget, the 2016-2019 financial plan as well as the 2016-2017 budget, which will be presented during Council 2015. The continuous monitoring of the CMIP results with regular pro-active communication with all the stakeholders and timely proposed adjustments and decisions will enable the funding on a pay-as-you-go basis.	<p>The Management follows this recommendation and monitors carefully the different drivers to ensure ITU's good financial health.</p> <p>Update as of end April 2017: The management still monitors carefully the drivers and will review and adjust it based on the results of the global actuarial study performed at the end of 2016. Each year ITU Management presents the situation of the After-Service Health Insurance (ASHI) liability. ITU will continue to focus on cost containment with the service provider and has proposed an increase in the percentage of contributions for the CMIP members and for ITU in the 2016-2017 budget in order to ensure the financing of health insurance on a pay-as-you-go basis. Furthermore, ITU will continue to fund the ASHI reserve as far as possible according to the budgetary surpluses.</p> <p>Update as of December 2017:</p> <p>As part of the full actuarial study, all the drivers are carefully studied and monitored. Their long term impact will be calculated through the different assumptions. In addition, ITU will continue to fund the ASHI reserve depending on the budgetary results</p> <p>Update as of April 2018:</p> <p>ITU will continue to fund the ASHI reserve depending on the budgetary results and also through the decided budget allocation.</p> <p>Based on the result of the full actuarial study</p>	<p>Closed, with the following comment:</p> <p>The recommendation is superseded by the observation drawn to the attention of the Council in this report</p>

N.	Recommendation made by the Italian Corte dei conti	Comments received from Secretary-General at the date of the audit report	Status as reported by ITU Management	Status as assessed by the Italian Corte dei conti
			<p>the ITU will review the main drivers to ensure the sustainability of the plan.</p> <p>Update as of December 2018:</p> <p>The result of the full actuarial study has been provided to the CMIP Committee for its review and consideration. The management still monitors carefully all the drivers in a view of reducing the ASHI liabilities and insuring the long term sustainability of the plan.</p> <p>Update as of April 2019:</p> <p>The CMIP Committee is still reviewing carefully the different options to ensure the long-term sustainability of the plan. Further to the result of the full actuarial study, the CMIP Committee decided to study the option to join another UN Organization.</p> <p>In addition, ITU will continue to fund the ASHI reserve depending on the budgetary results and also through the decided budget allocation.</p> <p>Update as of December 2019:</p> <p>The Secretary-General based on the recommendation of the CMIP Committee decided to leave CIGNA as service provider and signed a contract to join UNSMIS starting 01.01.2020.</p> <p>In addition, ITU will continue to fund the ASHI reserve depending on the budgetary results and also through the decided budget allocation.</p> <p>Update as of September 2020 : see above</p>	

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<p>Rec. 3/2012</p>	<p><i>“Droit de superficie”</i></p> <p>Considering that it is important and in ITU's interest to extend the “droit de superficie” granted to ITU by the State of Geneva since 1967, we recommend Management to start, as soon as possible, the negotiations in this respect with the competent Host Country Authorities.</p>	<p>In January 2013, the Legal Adviser has already successfully contacted the Host Country competent Authorities in order to initiate a negotiation process.</p>	<p>The competent Host Country Authorities welcomed the request from ITU in principle and confirmed their interest as well as the fact that further developments will be triggered by decisions related to the replacement of the Varembe building, which are currently still under discussion.</p> <p>PP-14 decided the creation of a Council Working Group. The CWG will, with the support of the Secretariat, examine the status of HQ premises of the Union and continue to analyse the options so far submitted and any other proposal by Member States, for prudent treatment of the premises into the long-term future, in order to prepare a recommendation for Council. The first meeting of the CWG took place on 28 January 2015.</p> <p>Update as of end-January 2016: The work of the CWG on options for the Union's HQ premises over the long term is still on-going. A second meeting was held on 28 September 2015.</p> <p>Update as of end April 2017: The Council, by its Decision 588, decided to replace ITU's Varembe building by a new construction that would also include the offices and facilities of the Tower building and complement the Montbrillant Building. In this context, the “droit de superficie” currently enjoyed by the ITU until 2079 for all of its buildings will have to be renegotiated with the Swiss authorities. However, the ITU has already obtained the insurances from the Swiss authorities that the conditions presently granted to the ITU</p>	<p>Ongoing</p>

			<p>cannot be revised downwards and that the 2079 deadline will not, in any event, be questioned. A working group composed of representatives from the ITU, the Canton of Geneva (landowner), the Swiss Confederation and FIPOI will be set up in early 2017 to discuss specifically the issue of the “droit de superficie”.</p> <p>Update as of April 2018:</p> <p>The ITU/Host country Working Group on “Droit de superficie” held its first meeting on 15 November 2017. Discussions focused on the following elements:</p> <ol style="list-style-type: none"> 1) The parcel distribution, which upon agreement, should not be impacted by the construction of the new building; 2) A presentation by the representatives of the host Country of the “Droit de superficie” applicable under the recent new Swiss legislation. <p>The ITU has already obtained the confirmation that the current duration of the “Droit de superficie” would not be called into question (due in 2079) despite the new regulation which limits the duration of the right to a maximum of 50 years.</p> <p>The ITU has also received confirmation that essential elements of the right, such as, for example, its free of charge rent would not be called into question.</p> <ol style="list-style-type: none"> 3) A template for “Droit de superficie” contract has been drawn up by the Host Country. This template will be sent quickly to the ITU for review and comments. The Host Country representatives confirmed that they were open to enter into discussions on the provisions of the template. 	
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N.	Recommendation made by the Italian Corte dei conti	Comments received from Secretary-General at the date of the audit report	Status as reported by ITU Management	Status as assessed by the Italian Corte dei conti
			<p>4) The draft of "Droit de superficie" contract should ideally be finalized by October 2018</p> <p>Update as of December 2018:</p> <p>Discussions in the Host Country Working Group have been postponed as ITU is waiting for written explanations from the Host Country about the legal basis and the reasons supporting the reduction of the duration of the "Droit de superficie" from 99 to 50 years. Consultations in this respect are currently taken place between the competent Authorities of the Host Country. A reply is expected by the beginning of 2019.</p> <p>Update as of April 2019:</p> <p>The draft of the "Droit de superficie" contract is under negotiation within the ITU/Host Country working group. In this context, ITU has requested written explanation from the competent Swiss Authorities on the reasons and legal basis underlying the possible reduction of the granting of the "droit de superficie" from 99 years (current duration) to 50 years (potential new duration). Such explanations are expected to be received soon.</p> <p>Update as of December 2019:</p> <p>The requested explanation was received mid-September 2019 (completed mid-October 2019). It reads as follows : « <i>L'Etat de Genève a revu à la baisse la durée de tous les DDP qu'il octroie : elle est désormais portée à 60 ans maximum. L'objectif est de permettre à l'Etat [de Genève] de mieux</i></p>	

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			<p><i>maîtriser ses terrains et de ne pas entraver la mise en œuvre de sa politique foncière avec des contrats de très longue durée qui entraîneraient des indemnisations en cas de changement de politique. L'idée est de faire coïncider les contrats de DDP et la durée de vie des bâtiments. En effet, il faudrait faire des travaux de rénovation des bâtiments au moins tous les 60 ans. D'ailleurs les contrats de DDP prévoient une clause d'indemnité (pour les bâtiments) en cas de retour anticipé du terrain au Canton. Cette clause, qui n'existait pas dans les anciens contrats de durée illimitée, n'aurait pas de sens pour des contrats d'une durée de 100 ans.». It has been confirmed that this change is due to a change in the policy of the competent cantonal authorities. The negotiation will continue in light of these explanation.</i></p> <p>Update as of September 2020:</p> <p>No further development since last year.</p>	
<p>Rec. 4/2012</p>	<p><i>Assets' recording in the register</i></p> <p>[...] we have performed a physical stock checking of some fixed assets categories, such as a sample of items of furniture and IT equipment and we have traced them into the accounts. We observed that the ITU responsible in Facilities Management Division (HRMD Department) have not found some of the assets during the physical stock checking at year end (around 0.73% of the acquisition value of the assets concerned). We are aware that controls have detected part of these</p>	<p>I will instruct FRMD to coordinate with the Facilities Management Division to ensure the continuation of efforts in 2013 and will clarify the existence and treatment of the items not captured in the stock checking.</p>	<p>The process of the identification and localisation and/or write-off of the assets not found during the stock checking has been initiated in past years and is progressing according to plan.</p> <p>At the end of 2014 the value of non-found assets has been significantly reduced by 83% of the 2012 value.</p> <p>Update as of end-January 2016: The level of the identification of the assets which have not been found will be known by the</p>	<p>Ongoing</p>

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	assets not found at year end, however we recommend Management to continue its research and to write-off the item that will not be found during 2013.		<p>completion of the physical inventory on 31 December 2015.</p> <p>Update as of end April 2017: The situation of recovered assets had improved as at 31 December 2016 compared to 2014 and previous years. The same effort was made during 2016. By way of comparison, the value of the assets not found on 31 December 2012 was 392'744 CHF, compared to 22,024 CHF on 31 December 2016</p> <p>Update as of April 2018:</p> <p>The value of assets not found as on 31 December 2017 amounted to 29'792 CHF, of which CH 3'901 CHF is from the 2016 period.</p> <p>Research will continue in 2018 fiscal year to recover as many misplaced assets as possible.</p> <p>Update as of December 2018:</p> <p>Current procedures and processes are being reviewed including the process for assets not found.</p> <p>Update as of April 2019:</p> <p>There were 313 assets not found in the 2018 physical inventory, corresponding to an acquisition value of 164'575 CHF. The field office inventory was unaffected, with all assets located.</p>	

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			<p>Update as of December 2019:</p> <p>New inventory system implemented in 2019 must minimize assets not found.</p> <p>Update as of September 2020:</p> <p>For FMD, there were 82 assets not found in the 2019 physical inventory, corresponding to an acquisition value of 34'576 CHF. The field office inventory was unaffected, with all assets located.</p> <p>For IT equipment, there were approx. 600 assets not found in the 2019 physical inventory, corresponding to an acquisition value of 588'781 CHF for headquarter and 16'264 CHF for field office.</p>	
<p>Rec. 10/2012</p>	<p><i>Digitalisation of personnel dossiers</i></p> <p>Although our analysis of the correspondence of the data inserted in the IT System with personnel dossiers did not revealed any major issue, we recommend the Management to start to evaluate the cost-effectiveness to digitalise personnel dossiers, not only in order to prevent that an accidental event might bring to loose fundamental data, but also to allow a direct interface of personnel dossiers with SAP HR.</p>	<p>I take note of this recommendation and inform you that HRMD is exploring this possibility.</p>	<p>The Detailed Blueprint (DBBP) of the e-Staff Personal File (digital filing) System was established on 19 April 2013.</p> <p>This DBBP comprises the HRAD (E&B Service) business process and mapping of the structure of the staff member (hard) personal file. The system is linked to the SAP-ERP_HCM.</p> <p>Update as per end of January 2015: The first phase of creating the tool is completed. The e-Staff Personal File (digital filing) System is now operational.</p> <p>The next phase of the exercise concerning HRAD (E&B Service) focuses mainly on two different tendencies which are :</p> <p>1) Reduction of previous storage places (cupboards and computerized directories) to reorient Archive document flows toward the</p>	<p>Superseded by recc. 2 and 3/2017</p>

N.	Recommendation made by the Italian Corte dei conti	Comments received from Secretary-General at the date of the audit report	Status as reported by ITU Management	Status as assessed by the Italian Corte dei conti
			<p>new e-filing system.</p> <p>2) Reduction of numbers of paper documents by revised working methods (repetition, overlap, unnecessary printing, etc...). There will always be paper documents as the original signed documents must be kept for legal reasons and to certify the accuracy of information recorded in the SAP- ERP_HCM.</p> <p>Update as of end-January 2016: The digitalization is ongoing. HRMD is undertaking a fundamental review of all its procedures and document flow in view of creating a centralized, structured and secure electronic information management infrastructure to support the delivery of HR services.</p> <p>Update as of end April 2017: The project is still underway. As forecasted, one staff of the HRM Dept. is working on this project.</p> <p>Update as of April 2018:</p> <p>Preparatory work for the migration of the data has been completed. However, further discussions are needed with the IS Department for the implementation of a robust information management architecture and system, including the possibility of a linkage with the SAP-HR ERP system.</p> <p>Update as of December 2018:</p> <p>The previous comments remain valid. In addition, the new HRSP will include, as an objective for establishing an Excellence driven HR Services, the following action lines:</p>	

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			<ul style="list-style-type: none"> • Streamlined and holistic HR services (simplify workflows and processes, promote a paperless work environment and build business plans and programmes oriented to clients). • Innovative, rationalized and integrated ERPs which will progressively support all types of HR processes and provide a range of new functionalities that will enhance the efficiency of these operations. • An effective use of HR data and analytics, which can be turned into meaningful information, and linked to related HR actions and in the context of a global digitalization of HR functions. <p>Update as of April 2019: (see recommendation 3/2017 above).</p> <p>Update as of April 2019: (see recommendation 3/2017 above).</p> <p>Update as of September 2020: See comments on Recommendations 2 and 3/2017.</p>	

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

	Suggestion made by the Italian Corte dei conti	Comments received from Secretary-General at the date of the audit report	Status as reported by ITU Management	Status as assessed by the Italian Corte dei conti
Sugg. 1/2018	We suggest that Management continue its efforts in negotiating repayment plans with Sector Members and Associates.	The management works in close collaboration with the Member states in order to reduce the debts of the Sector Members and Associates. This specific debt decreased by 24 % in 2018. The remaining debt concerns mainly non active Sector members and Associates who have been already deleted from the list of members. The management cannot decide but only propose the signature of a repayment agreement.	January 2020: The management works in close collaboration with the Member states in order to reduce the debts of the Sector Members and Associates. The management cannot decide but only propose the signature of a repayment agreement. Update as of September 2020: No further comments. See above	Ongoing
Sugg. 2/2015	Host Country Agreements for Field Offices <u>We</u> therefore <u>suggest</u> that ITU Management continue to review the current host country agreements, with the aim of formalising the “accepted practices” and the benefits obtained by the HCA, in order to enhance its role and protect its assets.	Suggestion No. 2 is acceptable and in practice its implementation has been ongoing for several years and will continue in the future. Thus, a specific agreement for the Area Office in Honduras where there was no concrete agreement, was concluded in 2013. Similarly, a formal agreement for the Area Office in Indonesia (for which no formal agreement currently exists) should be signed in the near future; the draft agreement was the subject of an agreement in principle on the part of both parties with the exception of one paragraph which remains pending due to internal consultations within the Government of Indonesia. A review of the Host Country Agreement currently in force for the regional office in Bangkok may also be finalized soon. Finally, the negotiations for the conclusion of a host country agreement for the Area Office in Chile are also under way. The aim of the ongoing negotiations for the field	Update as of September 2020: A formal host country agreement for the Area Office in Indonesia (for which there was no formal agreement) has been signed in April 2017 after 8 years of negotiation. It is provisionally applicable since its signature by both Parties but did not enter into force as the internal ratification process has not yet been completed. The Secretariat, who got this information very recently, will get in touch with the Indonesian Authorities to accelerate the process. A revision of the host country agreement currently in force for the Regional Office in Bangkok may also be finalized soon. The most recent follow up was through a kind reminder letter to the Thai Authorities by the Director of BDT. Finally, the negotiations for the conclusion of the host country agreement for the Area Office in Chile are kept pending..	Ongoing

	Suggestion made by the Italian Corte dei conti	Comments received from Secretary-General at the date of the audit report	Status as reported by ITU Management	Status as assessed by the Italian Corte dei conti
		offices where there is no formal host country agreement, is to codify existing practice through an agreement with the host countries concerned.		
Sugg. 1/2014	<i>Low value assets (LVA)</i> In this regard, we suggest Management to consider reviewing the LVA threshold, in particular specifying the different categories of items and their depreciation according to their useful life.	This suggestion will be investigated in order to analyse the impact of introducing differentiated thresholds according to the category of fixed assets. It is to be noted that the value of CHF 15.2 million represents the cumulative amount of LVA captured in the fixed assets model since the introduction of the IPSAS (including the pre-IPSAS implementation balance).	January 2020 Proposed modification of financial rules and regulations is submitted to next CWG-FHR to modify the capitalization threshold in order to implement the suggestion. Update as of September 2020: Implemented. The Financial rules and regulations have been updated accordingly.	Closed
Sugg. 3/2014	We suggest Management, as needed, to define a comprehensive set of drivers and sub-drivers, and use the most relevant drivers to efficiently monitor and address the ASHI situation.	The monitoring of the CMIP is currently done with the purpose to enable early identification of adjustments to ensure funding on the pay-as-you-go basis. The above-mentioned drivers are taken into account in order to identify the relevant adjustments. The ASHI liability will be funded according to the available resources on a long-term basis taking into account budgetary constraints.	January 2020: ITU has decided to join UNSMIS as from January 2020. The ASHI liability will continue to be funded according to the available resources on a long-term basis taking into account budgetary constraints. Update as of September 2020 : No further comments. See above	Closed, with the following comment: The suggestion is superseded by the observation drawn to the attention of the Council in this report