



CORTE DEI CONTI
LA SEZIONE DI CONTROLLO
PER GLI AFFARI COMUNITARI ED
INTERNAZIONALI

Composta dai Magistrati:

Dott.	Giovanni	COPPOLA	Presidente
Dott.	Giancarlo	DI LECCE	Consigliere
Dott.	Carlo	MANCINELLI	Consigliere
Dott.	Gian Luca	CALVI	Consigliere
Dott.	Giulio	STOLFI	Referendario
Dott.ssa	Maristella	FILOMENA	Referendario
Dott.	Benedetto	BRANCOLI BUSDRAGHI	Referendario

Nell'Adunanza del 3 febbraio 2022

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 D.P. n. 341 del 31 dicembre 2021 che proroga fino al 31/3/2022 le

“Regole tecniche e operative in materia di svolgimento in videoconferenza delle udienze del giudice nei giudizi innanzi alla Corte dei conti, delle camere di consiglio e delle adunanze, nonché delle audizioni mediante collegamento da remoto del pubblico ministero”;

Vista l’ordinanza presidenziale n. 1/2022 di convocazione dell’adunanza della Sezione per il 3 febbraio 2022;

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 INTOSAI;

Visti i principi internazionali di audit applicabili all’attività delle Istituzioni superiori di controllo (*International Standards of Supreme Audit Institutions –ISSAI*);

Visto il *Report* relativo all’*Audit of the Financial Statements at 31/12/2020 – ITU*;

Vista l’ordinanza presidenziale n. 1/2022 di convocazione dell’adunanza della Sezione per il 3 febbraio 2022;

Uditi i relatori Consigliere Carlo Mancinelli e Referendario Maristella Filomena ed esaminati e discussi su loro proposta l’*Audit certificate* e il *Report* relativi all’*Audit of the Financial Statements at 31.12.2020 – ITU*;

DELIBERA

di approvare definitivamente, con le modifiche apportate dal Collegio, l’*Audit Certificate* e il *Report* relativi all’*Audit of the Financial Statements at 31.12.2020 –*

ITU, avendo ricevuto i commenti da parte dell'Organizzazione ed avendo espletato il contraddittorio;

DISPONE

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

I RELATORI

Carlo Mancinelli
(firmato digitalmente)

Maristella Filomena
(firmato digitalmente)

IL PRESIDENTE

Giovanni Coppola
(firmato digitalmente)

Depositata in Segreteria

Il Dirigente
Maria Pia Gubbiotti
(firmato digitalmente)



Corte dei conti

REPORT OF THE EXTERNAL AUDITOR

**INTERNATIONAL TELECOMMUNICATION UNION
(ITU)**

Audit of the Financial Statements for 2020

3 February 2022

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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, updated finally in 2018) 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 2020, 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 2020 based on 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.

Impact of the Covid-19 pandemic

We planned our working activities in accordance with our audit strategy, 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, also in 2021 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 remained mainly closed, continuing to work remotely; therefore, we performed alternative procedures where International Auditing Standards envisage direct verification of underlines transactions.

Impact of the fraud on the audit activities

On 25 May 2021, ITU provided the External Auditor with a preliminary Report, commissioned for a forensic audit, which highlighted several critical issues that ITU Management has not yet had the opportunity to assess and counter reply. Given that, after an interlocution with the Secretary-General, the President of the Corte dei conti's Audit Chamber for international affairs sent a formal communication, considering that *"we consider important, also in the interest of the ITU, to delay the presentation of our*

report to a virtual Council session to be held next autumn, in order to gather more information and to carry out relevant physical checks and tests, also related to the follow-up to our past recommendations and their actual implementation, having the time to frame the situation in its entirety and evaluate if some elements may have an impact on the financial statements". This letter was presented to the Council virtual consultation of June 2021 with the document C21/84-E of 31 May 2021.

Starting from July 2021, when National Authorities allowed that the borders re-opening, the audit team was allowed to reach ITU premises, carrying out the audit on the spot. The results of the audit activities are presented in the following paragraphs.

Results of the audit activities

All questions were discussed and clarified, also 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 14 December 2021 and the final draft of this report was sent to the Secretary-General on 22 December 2021.

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 19 January 2022 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 2020, presented in compliance with Article 28 of the *Financial Regulations (2010 edition)*.

A Management report referring to the accounts for the Financial Year 2020, digitally signed by the Secretary-General and the Chief of the Financial Resources Management Department on 15-16 March 2021, 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 2020, digitally signed by the Secretary-General on 16 March 2021

In respect of the audit of the financial statements for 2020 and in our past years' reports, we identified several weaknesses, which we are following up, 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 aimed to improve the internal control system at both the central and local levels.

Whilst acknowledging the further progresses made in 2020 and following months of 2021 towards increased accountability and better internal controls, we consider it appropriate to maintain our qualified opinion, since the instruments developed have not yet been able to prove their effectiveness in reducing the risks observed in terms of financial reporting

Therefore, in accordance with the international standards 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.

The new ITU Accountability Model and Framework

Management informed us that in the Council Meeting that will be held in March 2022 a report will be presented relating to the components of the new ITU Accountability Framework (AF).

ITU will request the Council to endorse the AF and Management will commit itself to continuously monitor the status of the components presented in the Report and to evaluate their efficiency and efficacy, in order to incorporate further improvements into the framework.

Management recalled in their report that the AF was “*informed by the Joint Inspection Unit’s (JIU) report Accountability Frameworks in the United Nations System (JIU/REP/2011/5)*” and, further, that “*The concept of accountability is defined in the United Nations General Assembly (UNGA) Resolution (A/RES/64/259) in paragraph 8 as follows:*

“Accountability is the obligation of the Secretariat and its staff members to be answerable for all decisions made and actions taken by them, and to be responsible for honoring their commitments, without qualification or exception.””

We will follow up the process of establishing the new AF at ITU, and we will discuss with Management whether new documents and international agreed practices will be

needed by the Union for strengthening further the AF, with the aim to strengthen with specific guidelines the theoretical approach of the Report presented to the Council.

All the recommendations prepared by us in this Report, in particular the ones related to Fraud management, HR and Procurement, will provide concrete example on how to streamline the theoretical AF that will be presented to the Council.

We reported on the results of our audit activity on FS2020 and highlighted our findings by issuing “Recommendations”. Although this year it was not the case, we usually issue also “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 2020, in accordance with Resolution 11 (Rev. Busan, 2014) resolve no. 6; due to the pandemic, in 2020 the programmed event was not held physically; after becoming “Digital World”, it was postponed to 2021, and some events were presented virtually. For this reason, we are not presenting a separate report for the event; we included some paragraphs related to the Digital World accounts, which are consolidated in the ITU FS, in this long-form report.

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 2020, 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 2020 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 2020, 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. The Statements of Financial Position and Performance at 31 December 2020 presented amounts, for the accounts and assertions 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 amounts in the Statements were free from material misstatements due to errors or frauds.

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 2020.

Emphasis of matter – Impact of actuarial liabilities

We draw attention to the fact that the Statement of financial position shows a negative Net Asset (-500.6 MCHF), mainly due to the impact of 656 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 February 2022

Guido Carlino
President of the
Corte dei conti
(original digitally signed)

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 2020 with comparative figures as at 31 December 2019 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 2020, with comparative figures as at 31 December 2019 showing the Surplus/Deficit for the financial year;
 - Statement of changes in Net Assets for the period ended 31 December 2020, 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 2020, 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 2020 financial period;
 - Notes to the financial statements providing information about accounting policies and additional information necessary for a fair presentation.

STATEMENT OF FINANCIAL POSITION 2020

ASSETS

2. In 2020, Assets amounted to 408.9 million Swiss Francs (MCHF), with a decrease of 48.5 MCHF (-11%) compared with the value recorded in 2019 (457.5 MCHF).
3. They consisted of Current assets, amounting to 302.6 MCHF, representing the 74% of Total Assets (in 2019, they represented 73.6%) and Non-Current Assets, amounting to 106.4 MCHF, representing 26% of Total Assets (26.4% in 2019). The basis for the evaluation of Assets is given in the Main Accounting Principles (Note 2).

Current Assets

4. Total Current assets in 2020 amounted to 302.6 MCHF, representing a decrease of around 34.2 MCHF (-8.4%) as compared to 2019 (336.9 MCHF). Examining the movements in the sub-headings, we observed that the overall increase was due to the decrease of "Cash and cash equivalents" (-79.4 MCHF). On the contrary, a sharp increase was registered in "Investments" (+62.2 MCHF, that is +187%).

Cash and cash equivalent

5. The sub-heading "Cash and cash equivalent", totalling 99.4 MCHF, decreased by 44% compared to 178.9 MCHF in 2019; it included cash in hand and all the balances of ITU postal and bank current accounts as of 31 December 2020. The reduction was mainly due to the decrease of "Bank current accounts in foreign currency" (-13.5 MCHF; -58%) and to "Sight accounts in CHF" (-71.1 MCHF; -56%); the latter made up around 56.3% of the total sub-heading. A detailed breakdown of Cash and cash equivalent is shown in Note 6 of the Financial Operating Report.
6. We asked all the banks with business relations with ITU to confirm the current accounts' balances as of 31 December 2020. 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 five banks. We acknowledge the efforts made by Management to enable us to receive all the confirmations, nevertheless this limited our work in this area.
7. With reference to the missing bank confirmations, Management provided us with a copy of the statements as at 31.12.2020 relating to all the above-mentioned banks, and we used them for the reconciliation.

Updating of lists of authorized signatures at banks

8. 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". Since 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

9. In 2020, the sub-heading “Investments” amounted to 95.5 MCHF, a sharp increase of 62.2 MCHF (+187%) compared to 2019 (33.3 MCHF), and it included fixed-term investments with a maturity of no more than 9 months from 31 December 2020. A detailed breakdown of Investments by date of maturity is shown in Note 7 to the Financial Operating Report.
10. 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

11. Current receivables, whether for exchange or non-exchange transactions, had a net worth of 97,8 MCHF in 2020, compared to 94.8 MCHF in 2019. They represented around 32.3% of the total current assets compared to 30% in 2019.
12. 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.
13. Non-current receivables, as also illustrated in Note 8, were present only for non-exchange transactions and amounted to 6.5 MCHF (4.3 MCHF in 2019). They were fully provisioned at 31 December 2020, in line with the principles described in Note 2 to the financial statements.

Other current receivables

14. An amount of 9.4 MCHF (8.2 MCHF in 2019) 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.

Writing off of interest

15. The Secretary-General requested Council to approve the writing off of irrecoverable debts totalling 2,713,401.33 CHF, against a corresponding withdrawal from the Reserve for Debtors’ Accounts. The debtors are 25 Companies for which the recovery procedure has been exhausted or that are in “court-supervised” liquidation.

Inventories

16. In 2020, items related to publications, souvenirs and supplies were recorded at a net value of 0,46 MCHF (0.54 MCHF in 2019). Inventories are detailed in Note 9 to the Financial Operating Report, which shows slight increases in the net value of Publications (a lower gross value but a still lower depreciation) and a decrease in supplies.

Non-current assets

17. Non-current assets as of 31 December 2020 totalled around 106.4 MCHF; they showed a decrease of 14.2 MCHF (-11.8%) compared to 2019, when they amounted to 120.6 MCHF.
18. It is worth mentioning the recording of the sub-heading, in the same way as for the current assets, called “Deferred expenses – UNSMIS”, with an amount of 17.4 representing 16.4% of total non-current assets (20.9 MCHF in 2019; 17.3% of total non-current assets).
19. This aside, the heading was composed of the usual sub-headings, which are: “Property, plant and equipment”, amounting to 78 MCHF, or 73.4% of total non-current assets (in 2019 it was 92.7 MCHF, or 95.6% of total non-current assets), “Intangible assets”, amounting to 1,9 MCHF, or 1,6% of the total (in 2019, 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

20. This heading showed a value of 78 MCHF, which was the net value, at 31 December 2020, of the capitalised cost minus the related depreciation. The main categories refer to buildings (a net value of 77 MCHF was recorded in 2020; 91.7 MCHF in 2019) and to IT equipment (a net value of 0.8 MCHF in 2020, nearly the same in 2019). These are illustrated in Note 11 to the Financial Operating Report.
21. 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.

22. 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”.
23. 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.
24. 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.
25. 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 November 2021, we have been informed that “*It was agreed with the Authorities of the Host Country that it was not necessary, at this stage, to modify the current “droit de superficie” contract (DDP) until the settlement of pending issues relating to the peripheral security, the lie of the DDP and the possible sale of the Tower*”. Once the agreement has been finalised, residual book values should be adjusted accordingly.
26. As stated in Note 13, in 2019 Management decided to disclose separately the cost of the additions (1,267 kCHF as at 31 December 2020) from the costs related

to the buildings under construction (8,176 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”*.

Intangible Assets

27. In 2020, Intangible Assets amounted to 1.4 MCHF, showing a decrease from the value recorded in 2019 (1.9 MCHF). This decrease was due to the depreciation of internal developments.
28. 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

29. In 2020, Total Liabilities amounted to 909.5 MCHF, with a slight decrease of 0.6 MCHF, representing the same value as recorded in 2019 (910.1 MCHF). They consisted of:
- a) *Current Liabilities*, amounting to 147.6 MCHF, representing 16.2% of Total Liabilities (in 2019, they represented 19%, totalling 172.6 MCHF), and
 - b) *Non-Current Liabilities*, totalling 762 MCHF, representing 83.8 of Total Liabilities (in 2019, non-current liabilities represented 81%, totalling 737.5 MCHF).

Current liabilities

30. Total Current liabilities in 2020, as seen above, amounted to 147.6 MCHF, representing a decrease of 25 MCHF as compared with 2019 (172.6 MCHF).
31. The sub-heading “UNSMIS equalization fund amounted to 1.5 MCHF in 2020, 21.2 MCHF in 2019 (equivalent to the amount registered under “deferred expenses” in current assets), related to the transition to the new Health Insurance scheme starting from 2020; see below in this report, where we discuss employee benefits, for a detailed illustration of these accounting items.
32. Among the other sub-headings, “Provisions” increased (-1.1 MCHF) meanwhile the value of “deferred revenue” (-132.6 MCHF) and “Other debts” (5 MCHF) were substantially the same as in 2019. The basis for the evaluation of Current Liabilities is set out in the Accounting Principles (Note 2).

Suppliers and other creditors

33. An amount of around 6 MCHF (8.5 MCHF in 2019) 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

34. The sub-heading “Deferred revenue” amounted to 132.6 MCHF (135.6 MCHF in 2019). 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 2020 with publication in 2021. The revenue from sponsorship agreements for the New Building that were already invoiced in 2020 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

35. In 2020, the sub-heading “Provisions” amounted to 1.1 MCHF (0.7 MCHF in 2019). 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.
36. Regarding the amount of the provisions for litigation, according to Note 18, they represent a valuation, at the date of closure, of future obligations associated with a past event in respect of various disputes in which the Union is involved as a party, as well as the average cost for the administrative expenses in respect of each case brought before the tribunal.

Borrowings and financial debts

37. 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 (1.4 MCHF, it was 1.5 in 2019), corresponding to the instalment to be repaid to FIPOI by ITU in 2020, and as long-term (45.7 MCHF, it was 43.5 in 2019). The amounts are detailed in Note 16 to the Financial Operating Report.

Other Current liabilities

38. In 2020, the sub-headings “Employee benefits” and “Other debts” amounted respectively to 0.01 MCHF (0.2 MCHF in 2019) and 5 MCHF (4.9 MCHF in 2019).

A detailed description and breakdown are shown respectively in Notes 17.1 and 19 to the Financial Operating Report.

Non-current liabilities

39. Total Non-current liabilities in 2020 amounted to 762 MCHF, with an increase of 24.4 MCHF (3.3%) as compared with 2019 (737.5 MCHF).
40. The slight increase is mainly explained by the increase in Employee benefits (+ 21,2 MCHF, +3.3% compared to 2019). The sub-heading “UNSMIS equalization fund” (17.4 MCHF in 2020, 20.9 MCHF in 2019, equivalent to the amount recorded under “deferred expenses” in non-current assets), related to the transition to the new Health Insurance scheme from 2020. The basis for the evaluation of non-current liabilities is set out in the Accounting Principles (Note 2).
41. 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

42. Employee benefits are disclosed in the Financial Statements under “Current liabilities” and under “non-current liabilities”, totalling 656.03 MCHF in 2020, as summarised in the table below.

Table 1

Liabilities	Year (kCHF)		Variance 2019-20	
	2020	2019	kCHF	%
<u>Current</u>	10	178	-168	-94.4%
<u>Non-current</u>	656,021	634,857	21,164	3.3%
<u>Total</u>	656,031	635,035	20,996	3.3%
<i>Composition of Non-current</i>				
Post retirement Plan (ASHI)	631,870	611,896	19,974	3.3%
Pensions	54	54	0	0.0%
Installation/repatriation	12,717	13,500	-783	-5.8%
Accumulated leave	11,380	9,407	1,973	21.0%
Total	656,021	634,857		

Long-term employee benefits

43. As shown in the table above, in 2020, the sub-heading “non-current liabilities” (related to long term employee benefits) were around 656.02 MCHF, with an increase of 21.16 MCHF (+3.3%) as compared with 634.86 MCHF in 2019. They represented 86.1% of total non-current liabilities and 72.1% of total liabilities.
44. This heading included the actuarial liabilities for post–employment benefits under the After Service Health Insurance plan (ASHI) (631.87 MCHF; in 2019 it was 611.89 MCHF), a provision for estimated liabilities for the repatriation grant (12.72 MCHF; in 2019 it was 13.50 MCHF) and a provision for accumulated leave (11.38 MCHF; in 2019 it was 9.40 MCHF). The increase of 21% in this sub-heading is (in a significant measure) a consequence of the pandemic. As Management referred, the Secretary-General authorized to carry forward to the 2021, on an exceptional basis, a maximum 60 days of the annual leave not utilized in 2020 due to the pandemic and the worldwide restrictions on travel. More considerations about the accrued annual leave can be found in this report, under the paragraphs related to personnel expenses.
45. 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

46. As shown in the previous paragraph, the provisions recognized at 31 December 2020 for installation and repatriation grants amounted to 12.72 MCHF (13.50 MCHF in 2019) and were calculated according to the actuarial study commissioned by Management, which the actuary illustrated in its report of February 2021.

Employee benefits: ASHI

47. In 2020, the provision for actuarial liabilities for the ASHI plan amounted to 631.87 MCHF, representing an increase of 19.97 MCHF (+3.3%) compared to 611.90 MCHF in 2019. This calculation, based on actuarial assumptions, was performed by the actuary, using Aon AA Corporate Bond Yield Curves as of 31 December 2020. The discount rate dropped from 0.6% in 2019 to 0.2% in 2020.
48. Following our past recommendation n. 2/2018, in accordance with paragraph 88 of IPSAS 39, 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 60 MCHF, due to the lower discount rate (-0.2 instead of 0.2).

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

49. 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.
50. 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

Negative Net-assets influenced by actuarial liabilities

51. The considerable size of ASHI's actuarial losses (263.10 MCHF; it was 278.31 in 2019) had a significant impact on the ITU's Net Assets, which were negative in 2020, as in the previous year.

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

52. 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 207).

NET ASSETS

53. 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 2020, Net Assets resulted in a negative value of -500.6 MCHF, more negative than the -452.6 MCHF in 2019.
54. 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 (-47.3 MCHF);
 - b) Table III "Statement of changes in net assets", showing the movements separately for each own fund, and IPSAS effects;
 - c) 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);

- d) 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”;
- e) Note 3 “Management of net assets”, which lists the movements in the Reserve Account (whose assets resulted of 25.8 MCHF in 2020).

STATEMENT OF FINANCIAL PERFORMANCE 2020

55. 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 -47.3 MCHF (-57.5 MCHF for f.y. 2019).

REVENUE AND EXPENSES

Revenue

56. Total revenue amounted to 170.4 MCHF, a decrease of 16.8 MCHF (-9%) as compared to 2019 (187.2 MCHF), mainly due to financial revenues that resulted in a negative value (-4.7 MCHF; in 2019 they amounted to 10 MCHF). This derived from the situation on the financial market relevant to the Swiss Francs and the Euros, which became harder on the US Dollars, with a lower interest rate in 2020 as compared to 2019. It is to be highlighted that despite the negative interest on the Swiss Francs applied on the accounts, ITU succeeded in neutralizing its effects by investing in short term deposits in USD.
57. Voluntary contributions decreased from an amount of 10.4 MCHF in 2019 to an amount of 8.3 MCHF in 2020). Assessed contributions, amounting to 125.7 MCHF, slightly decreased from 2019 (126.5 MCHF, -1%). The proportion of assessed contribution in relation to the total revenue amounted to 73.8% in 2020 (it was 67.6% in 2019).
58. The Other operating revenue increased to 40.2 MCHF (they were 39.4 in 2019), despite a significant decrease in the extra-budgetary revenue, deriving from the postponement of the ITU TELECOM World 2020 (see below).
59. The detailed breakdown of revenues is reported in Note 22 to the Financial Operating Report.

Publications' sales

60. Revenue from the sale of publications in 2020 amounted to 17.12 kCHF, a 10% increase from 2019 revenue totals, mainly due to the 4th Quarter releases of two titles updated every 4 years: Radio Regulations 2020, and the Manual for Use by the Maritime Mobile and Maritime Mobile-Satellite Services (Maritime Manual 2020). Sales development activities included the addition of two new global resellers in 2020.

The Telecom World Event

61. Due to the pandemic, the programmed Telecom World event in Hanoi was postponed, and took place as ITU Digital World 2021 in the same venue; finally, also in 2021 the event could not take place physically and was held virtually.
62. In relation to the programmed Telecom World 2020, the event recorded revenues equal to 53 KCHF and 1,960 KCHF as expenses, with a negative net result of 1,907 KCHF; expenses are mainly related to the cost of personnel involved in the event's preparatory work and management.
63. Management referred that the charges were calculated based on the information conveyed by ITU Telecom management on the percentage of time that ITU Telecom staff dedicated to the Event during 2019 and 2020, or 20% and 60%, respectively (usually, it should have been 20% and 80%), leaving the 40% (instead of the usual 20%) related to 2020 for the preparation of the 2021 DW. Such adapted formula was agreed between ITU Telecom and Financial Resources Management Department. and approved by the Secretary-General.
64. The revenues and expenses of Telecom World event are consolidated in the ITU Financial statements, and, in relation to year 2020, we are not presenting a separate report, as we used to do in past years.
65. A special report over aggregated revenues and expenses totally related to Telecom World event held in Hanoi, (Vietnam) will be presented in relation to Telecom World statements closing at 31.12.2021.

Expenses

66. Expenses totalled 217.6 MCHF, a decrease of 27 MCHF (-11%) as compared to 2019 (244.6 MCHF).
67. The decrease is due almost totally to Employee expenses, which in 2020 dropped to 153.8 MCHF from the amount of 203.9 MCHF in 2019, representing 70.7% of total expenses (83.4% in 2019). In Note 23 to the Financial Operating Report the

breakdown of such expenses is represented, showing that employee expenses returned to the level they had in 2018 and previous years. As explained in our previous financial report, the increase in 2019 derived from the one-time ASHI adjustment of 50 MCHF, consequently to the transition from the CMIP to the UNSMIS plan.

68. Another sensitive decrease is registered in mission expenses, which lowered to 1 MCHF in 2020 from the 2019 amount of 7.8 MCHF, due to the pandemic and the consequent travel restrictions.

Other expenses

69. These expenses increased from 0.4 MCHF in 2019 to 8.3 MCHF in 2020. The increase of such expenses, which relate, among others, to the External audit costs, as well as to the ITU's participation in UN expense (for participation in various UN Committees). This two items decreased in 2020, due to the pandemic that did not allow travels.
70. In this sub-heading other two items are included:
- "Legal expenses", which include estimated costs for the outcome of open legal cases as well as the average cost for the administrative expenses in respect of each case brought before the tribunal: these expenses increased from 0.03 MCHF in 2019 to 0.54 MCHF in 2020;
 - "Adjustment of provisions and other expenses", which resulted mainly from the dissolution of the provision for doubtful debts due to the payment of overdue receivables: these expenses increased from an amount of -0.39 MCHF in 2019 to an amount of 7,29 MCHF in 2020. The increase is explained through: the allocation, in 2020, of 3.9 MCHF to finance projects on the regional initiatives; the payment of the annual instalment related to UNSMIS (1.6 MCHF); the decision to make a provision for the instalment 2021 (1.5 MCHF).

THE RATIONALE FOR QUALIFYING THE OPINION

71. In our past years' reports, 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.
72. We made several recommendations aimed to improve the internal control system at both the central and local levels.

73. We acknowledge Management's efforts to address significant weaknesses in some specific areas; however, it is still remaining the need to ensure: i) that risks and frauds till now detected are fully quantified and reflected in the Financial Statements, ii) that managerial responsibilities are correctly ascertained, iii) that the weakness in internal controls are fully addressed and iv) that Internal assurance services will be ready to assess the correct implementation of the corrective measures till now implemented.
74. ITU, in particular BDT, has put in place a comprehensive process aimed to duly follow up and implement our recommendations, as well as the recommendations made by the IAU and the JIU, which can now be easily followed through a dashboard. 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 across the ITU. This concerned such areas as governance, ethics, procurement, and internal control procedures. At this stage, the improved controls put in place by the BDT seek to address all of the areas identified for that Bureau's work, however, their effectiveness has not yet been assessed internally by an independent assurance provider. Furthermore, in case a need for additional investigations on managerial responsibilities were to arise, there is a risk that staff that would be investigated are the ones running the new procedures.
75. We acknowledge that the status of this process, partly still under implementation, is regularly presented to the Council.
76. 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.
77. For instance, ITU has tasked during years 2019 through 2021 two service-providers to enhance assurance, through a review on "Regional Presence" – aimed at defining the strategy and structure of ITU worldwide presence – and through a "forensic audit", aimed at defining *not only* the correct perimeter of the fraud perpetrated in a Regional Office and its correct insertion of a provision in the Statements, *but also* if other frauds have been perpetrated.
78. Whilst acknowledging the further progress made in 2020 and 2021 towards increased accountability and better internal controls, we consider it appropriate to maintain our qualified opinion due to the need to ensure that the full extent of the fraud has been quantified and addressed in the financial statements.

PROCUREMENT

Lowering risks related to “direct award” – Enhancing Internal controls through an effective monitoring and potentially redefining Procurement Manual rules.

79. Procurement and Projects are part of the expenses recorded in the Statement of Financial Performance as “Contractual Services”, “Rental and maintenance of premises and equipment”, “Equipment and supplies” and “Shipping, telecommunication and services expenses”.
80. During our remote audit, we noted that, according to Article 6.7.1. of the Procurement Manual, for low-value procurement up to 5k, the requesting unit can ask for the quotation to only one supplier, by attaching a quote from one supplier to the shopping cart which is approved by the Financial Controller and automatically forwarded to PROC to issue the Purchase order, until it reaches 20k in a calendar year.
81. However, taking advantage of the potential weaknesses of such procedure related to “low-value procurement”, there is the risk of potential fraud or unethical behaviour; indeed, several fraudulent activities were fulfilled in Regional Offices, as stated in our previous reports and in detailed paragraphs of this report. As an example, if a requesting unit needs supplies/services for an amount of 6k, instead of doing a RFQ and inviting at least 3 potential vendors (as foreseen by PM), it can split the supplies in two purchase requests during the year (3k+3k), awarding directly to a single supplier, in a potential risk of conflict of interest.
82. A high control risk exists also in the procurement rules related to the threshold of 20k: the rule in the Procurement manual could be easily bypassed without an accurate monitoring, for example, by splitting, during a given year, a quotation that would result above 20k into several low-value procurement supplies, which are directly awarded instead of doing a competitive request.

Recommendation n. 1

83. In order to minimize the risk that procurement Manual rules related to article 6.7.1 could be easily bypassed, having considered that there is a need for enhancing internal controls and also considering the several fraudulent activities detected in Regional Offices, we recommend that PROC should carefully monitor the low-value procurement, to avoid that it is used to elude the competitive procedures. In case the result of this monitoring will ascertain such abuse, we recommend that Management consider even to avoid the “Low Value Procurement”, also through the implementation of new guidelines in the procurement Manual or to reduce the thresholds (5k and 20k) admitted by the Procurement Manual for having procurement awarded only to one single supplier without any competition.

Comments by Secretary-General

The recommendation is accepted. In order to avoid any risk of contract splitting, ITU will decided to cancel the current threshold of CHF 20.000. The total aggregated awards to a single vendor in a calendar year for the whole ITU, where bidding is not required, shall not exceed CHF 5,000, above which all purchase requests, regardless of value, shall be forwarded to the PROC for sourcing and selection. This decision will be incorporated in the revision of the Procurement Manual scheduled for this year 2022.

84. As in past years, we found, in the audited sample, six (6) suppliers exceeding the threshold of CHF 20k in a calendar year, established by the Procurement Manual. We have already issued recommendations in our past financial audit reports (see our Recommendation n. 3/2018 *(ii) Management should monitor effectively all Purchase Orders below the threshold of CHF/USD 20,000* and the Recommendation n. 4/2018 related to the *automatic monitoring of the POs or contracts above CHF 20,000 per vendor per calendar year*).

Recommendation n. 2

85. We acknowledge that a Value Procurement Workflow in SRM was introduced at the beginning of 2020, and that, as of 1st of January 2021, the Contract Management Module was introduced; however, considering that, also in the financial year 2020, the threshold of CHF/USD 20,000 per vendor per calendar year was not respected, we renew our past recommendations **n. 3/2018** and **n. 4/2018** and we recommend that an effective and automatic monitoring of all Purchase Orders or contracts awarded to the same supplier in a calendar year is established, in order to assure that the threshold above is fully respected and contracts exceeding this threshold are not automatically allowed.

Comments by Secretary-General

The recommendation is accepted. As correctly mentioned in this Recommendation, the Low Value Procurement was introduced beginning 2020.

It should be noted that, during the year 2021 (January-November), there are two suppliers who exceeded the yearly threshold of CHF 20K due to exceptional and emergent requirements; requirements needed during virtual conferences and events. To avoid the requesting units with multiple low value requirements, a Long-Term Agreement (LTA) with two vendors for IT supplies was established end of 2021.

Enhancing Internal controls on low value procurements.

86. During the audit we have noted that the written procedure for low value procurement (up to 5k CHF) and very low value procurement (up to 500 CHF), envisaged by articles 6.7.1. and 6.7.5. of the Procurement Manual, has not yet been drawn up.

Recommendation n. 3

87. Therefore, we recommend that PROC draw up the foreseen procedures (or other special procedures) for low value (Articles 6.7.1.) and very low value procurement (6.7.5.), or, otherwise, that the Procurement Manual be amended, in case such procedures are not needed or potentially superseded by the implementation of new guidelines aimed in avoiding the “direct award” (see above Recommendation n. 2).

Comments by Secretary-General

The recommendation is accepted. ITU acknowledges that the Procurement Manual will be amended during the coming year 2022.

Enhancing Internal controls on contracts' renewals.

88. During our audit, we found that one contract sampled is in force since January 2012 and that the contract is *tacitly renewed on a yearly basis unless written notification is sent by either parties*. The Procurement Manual states that *"contracts shall be extended by an explicit decision by ITU, rather than automatic ("tacit") extensions, and following a satisfactory vendor performance evaluation"*.

Recommendation n. 4

89. We acknowledge that PROC is currently working on a tender for the provision of a new contract, to terminate the contract in force since 2012; however, we recommend performing a recognition of all Purchase Orders/contracts currently in force, to check and to terminate as soon as possible the ones that are tacitly renewed.

Comments by Secretary-General

The recommendation is accepted. PROC and Requesting units, in their regular reviews of current contracts in force, will further analyze the tacit renewal clause in the concerned contracts.

Enhancing Internal controls on the Evaluation of offers, to minimise the risk that an Evaluation Committee may be influenced by knowing the price before the conclusion of the technical evaluation

90. We noted that a two-envelope system has been established and it is mandatory only in case of a Request for Proposal (RFP) above 50k. However, in case of Purchase Orders or Contracts for a lower amount or in case of other forms of procurement like Invitation to bid (ITB) or Request for quotation (RFQ), it may happen that the knowledge of the price of the offers received during the evaluation of the bids received (technical or pass/fail) may influence the Evaluation Committee and/or the Procurement staff and/or the expert in charge of the evaluation.

Recommendation n. 5

91. Although we acknowledge that this is not a current practice in the UN Systems, considering the risks highlighted in the Procurement framework through our past and current recommendations ,in order to enhance the internal controls in place, we recommend implementing a two-envelope system in all procurement procedures, to avoid any kind of influences by the price during the evaluation of the bids received, except in case of very simple procedures (pass/fail criteria) and/or low value procurement.

Comments by Secretary-General

The method used by UN organizations to communicate a procurement requirement and request bids, quotations or proposals from potential suppliers are referred to as the solicitation process. In ITU procurement, as well as in UN, UNOPS and other organizations, solicitations take the form of a Request for Quotation (RFQ), Invitation to Bid (ITB), or Request for Proposal (RFP).

In the UN setting, the two-envelope system is only used for RFP not for the other methods of solicitation (RFQ or ITB). The ITU has a concern regarding this recommendation as it deviates from the Procurement Manual and could create a precedent and seriously jeopardize the entire harmonization effort engaged by the High-Level Committee on Management of the United Nations (HLCM). This recommendation will be brought to the attention of Procurement Network within the UN system.

PERSONNEL**Expenses – Salaries and employee benefits**

92. The Personnel costs at 31 December 2020 in the ITU's Statement of Financial Performance amounted to MCHF 153.8, representing 70,5% of all the Costs. The breakdown of these costs, which are shown in the table below, shows that "Salaries and employee allowances" (MCHF 95.3), represent 61,9 % of the amount of Personnel Cost.
93. Overall, these expenses registered a decrease from 2019 (-24.6%) comparing to 2019, and the breakdown shows main variations, mainly due to the contingent pandemic situation.

Personnel costs	2020	2019	% variation
Salaries and allowances	95,278.01	95,756.00	-0.5%
Other employee expenses	58,546.86	108,187.00	-45.9%
- Installations and repatriation	566.94	2,295.00	-75.3%
- Education grant	3,300.06	3,201.00	3.1%
- Home leave	984.40	1,000.00	-1.6%
- Accrued leave	2,997.15	1,208.00	148.1%
- Health & accident insurance	9,452.65	10,934.00	-13.5%
- UNJSPF contribution	17,186.00	17,259.00	-0.4%
- Other expenses	1,270.66	596.00	113.2%
- ASHI adjustment	22,789.00	71,694.00	-68.2%
Total	153,824.87	203,943.00	-24.6%

94. In relation to Salaries and Employee benefits, we have audited their reliability, accuracy and compliance with ITU policies and procedures, through a sample and its related supporting documents.

Improving coherence between Succession planning by staff policy and access to certain benefits.

95. With reference to “accrued leave” we noted an increase (+148.1%) totalling at 31.12.2020 an amount of around 3 MCHF. In the biennium 2019-2020, in pandemic status, the staff reduced the use of leave, but we noted that accrued leave costs increased.
96. In the ITU Staff Regulations, ed. 2014, the rule n. 9.16 provides for the Commutation of accrued annual leave “If upon separation a staff member has accrued annual leave, he shall be paid in lieu thereof a sum of money for the period of such accrued leave, less staff assessment, where applicable, up to a maximum of 60 working days. The payment shall be calculated in accordance with the terms and conditions applied by international organizations of the United Nations common system.”
97. In 2020 n. 36 staff left ITU, some of them according to an ordinary planning of the cessation of service for age limits, others joining a plan of voluntary separation (see below). It is noted, however, that some staff left the service based on a personalised agreement.
98. ITU has considered, in its HR strategic plan, the need for a long-term planning (10 years) and a project of retiring staff succession (see 2.2.3 Succession Planning Human Resources Reporting and Statistics, updated as of 31 December 2020). In the HR Annual Reports, ITU presents the succession planning strategy, declaring to take into account retirements. In this context, the

human resources planning in ITU follows a budgetary cycle, projecting expected vacancies within the next budgetary cycle (four years).

99. A voluntary separation (VOLSEP), with early retirement measures, was approved by the Council in its 2015 Extraordinary Session with the Decision n. 582 on 12 November 2014; it approved the implementation of the proposed voluntary separation/early retirement programme, withdrawing up to a maximum of 3 million Swiss Francs from the Reserve Account.
100. The ITU Council has approved Decision n. 579 on “Mandatory Age of Retirement” (MAR), which establishes at 65 the retirement age of staff members recruited on or after 1 January 2014 by ITU, and Decision n. 594 has increased the Mandatory Age of Retirement to 65 for all staff members recruited before 1 January 2014 and in service on 1 January 2018.
101. The Union organized (operating modalities, financial settlements, benefits) this voluntary separation program through Service Order n. 2019-014 of 19 June 2019 specifying eligibility, compensations, other benefits, among them the use of the financial settlement for pension purposes, with a special leave without pay for pension purposes (SLWOP-P) which represents a risk of hidden costs for the Union. The Service Order was further modified by Service Order n. 2019-017 of 16 October 2019. The modification included the increase of compensation to 12 months of net salary, extending the benefit to staff members who had already applied for the voluntary separation under the preceding SO.
102. We analysed the requirements of the S.O. n. 2019-017 and it appears that, for the access to the voluntary retirement, there are no limitations related to any disciplinary proceedings or other litigations pending with the employee admitted applying for the benefit.
103. Indeed, the absence of further specific regulations charges the ITU budget with the risk that these costs might incur even in case the employee’s conduct can’t be certified as satisfactory, such as when the person in question is under investigation for unsatisfactory conduct, has been subject of a disciplinary sanction which would prevent them of benefiting from a voluntary or early retirement program, or have litigations pending. Furthermore, providing the option of SLWOP up to two years opens the possibility of a staff being negligent during the period of SLWOP.
104. There are also no safeguard clauses that may allow the compensation of salaries to be withheld in case an employee has a debt towards the Union.

105. Our audit found that not all early departure programmes were made under the framework of SO 2019-014 and SO 2019-017.
106. As mentioned above (para. 97), during our audit we found that, in 2020, 36 departs occurred: 20 departs left ITU with a package, as it is shown in the following table, developed from the data provided by HRM.

MOTIVATION	<i>Categories</i>	<i>Nr.</i>
Retirement	<i>1P</i>	3
	<i>2G</i>	
Resignation	<i>5P</i>	6
	<i>1GS</i>	
Dismissal	<i>3GS</i>	3
End detachment UN Org.	<i>1P</i>	1
End of Contract	<i>3P</i>	3
Package (S.O. 2019_014/2019_017)	<i>2D</i>	20
	<i>10P</i>	
	<i>8GS</i>	
TOTAL		36

107. Based on the data made available by HR, in the “Human Resources Reporting and Statistics Updated as of 31 December 2020”, we consider that the package provided creates a deviation from the “Retirement projections for the next ten years by category, sector and grade” in HR Succession plan, and does not appear to be absorbed in the next projection.

Table – Retirement by Sector (2021-2030)

Sector	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	Total
⊕ BDT	4	4	6	2	4	2	3	3	3	6	37
⊕ BR	6	4	10	2	5	5	2	10	9	4	57
⊕ SG	12	13	16	16	15	13	18	13	9	16	141
⊕ TSB		1	2	1	1	3	1	1	4	2	16
Total	22	22	34	21	25	23	24	27	25	28	251

108. It is extremely important to highlight that the current HR framework on disciplinary process and the admission to these benefits do not appear coordinated. These are weaknesses in the legal and procedural framework.
109. We did not find any assessment of the employee’s position, regarding any disciplinary proceedings, misconduct or fraud, needed in the rules for the admission on voluntary retirement.

110. There are no clauses that safeguard the Union from the risk that an employee, who is debtor or has made a fraud, cannot be admitted to the benefit; even in case there is the final assessment of the Secretary-General, this procedure may circumvent his good faith.
111. The prevailing criteria among the causes of termination of employment are not regulated, for example whether there is a claim by the employee to the benefit and, at the same time, a situation that would lead to an interruption of the employment relationship without benefits. In addition, current rules do not state about any situation of pending criminal litigations related to a leaving staff who applied for the benefit.
112. These risks are only in appearance mitigated by the “authorization” released by the SG to leave the Union: actually, it is sufficient the combination of two factors to access the benefit: the confirmation of the Chief of Department of Human Resources and a written recommendation from the Head of Office. An inadequate circulation of information would allow to elude all controls, with the consequence that an unfaithful employee could ask for retirement and obtain the (termination package) benefit, with the possibility also to continue to work after in the public sector of his home country or even within the UN system, without any consequence.
113. We, therefore, observed that the current framework of HR rules and procedures, combined with an ineffective disciplinary and ethics framework (which will be better disclosed in the following paragraphs), allows that leaving staff, who carried out fraudulent activities, and/or higher-level officers (for instance, P and D graded staff) – who were not able to effectively supervise those staff, or having themselves been involved directly or indirectly in a fraudulent activity – could not been timely and effectively pursued after their departure from the Union, which could incur in a financial loss in its budget impossible to be recovered.
114. Furthermore, the current framework, which is not effective in pursuing the responsibilities of staff no longer in service, amplifies the risk that a staff that committed a fraud (or did not fully comply with the obligation of monitoring), might prefer to choose an early departure, not only knowing that he/she will not be prosecuted, but also taking advantage of an attractive financial package.
115. Although the process of Voluntary Separation seems to be over, our audit found that the current rules framework presents, for any different type of separation, the critical elements highlighted in the points above; such criticisms also regard consultants (see below, dedicated section of this report).

116. The coherence between Succession planning by staff policy and access to certain benefits must be improved, especially through an enhanced coordination between the policies of early exit of staff and the policy of recruitment of new forces; this also to avoid the creation of impromptu conditions of extension of the use of consultants to address the shortage of staff.

Recommendation n. 6

117. We recommend improving the framework of eligibility conditions of staff to obtain the separation benefit, to ensure an efficient and effective control system on requirements and conditions needed to be eligible for early retirement or voluntary separation benefits, or in the case of individual separation agreements.

Comments by the Secretary General

The recommendation is accepted. For cases of Voluntary Separation (in case such modality is implemented in the future) or in the case of individual separation agreements, including early retirement, the organization will establish conditions and requirements for granting departure benefits which may be provided over and above the statutory requirements.

An effective digitalization of the personal files: a tool for minimizing risks of loss of information and wrong validation of the entitlements.

118. In our past audit reports (Rec. 5/2019 – Rec. 2/2017) we highlighted the existence of recurrent delays in processing the personal data supporting staff entitlements. The HRMD e-filing system currently in place was developed in SharePoint since 2013, when HRMD staff started to scan personnel related documents into the new system. Our audit revealed that the scanning of relevant documents was stopped in 2016; nevertheless, the e-filing system is still operational. Data is regularly extracted from SAP and saved. Management reported us that it was decided that the digitalization should be done in parallel with the preparation for the passage in the new building.

119. HR Management assured that staff is systematically asked for supporting documents for all benefits entitlements, which are saved in files. During the pandemic, HR received all supporting documents electronically, saving the

emails in the respective staff member's files in Outlook, as well as on specific staff member's files on a shared drive.

120. Our audit focused on the examination of a sample of the amounts and related supporting documents over the personnel files; the evidence collected led us to consider the files in the e-filing system as not complete.
121. Moreover, paper files are maintained by HRMD meanwhile Personnel files of staff who have left ITU are transferred to the ITU Archives, and they are indexed in the Archives database.
122. Overall, we consider that a filing system of personnel data only based on paper or, on the contrary, only digitalised database, could determine a potential risk of losing relevant information about staff and impossibility to perform an effective validation of the entitlements recorded in the accounts.
123. In our view, for the normal working activity it results more efficient and effective to use a digitalised e-filing system (considering also that most of the documents, at present, are born digital); however, in the case of personnel documents, there are still a large number of documents, the original of which is paper. In these cases, beyond the need for digitization of these documents and the implementation of robust disaster recovery procedures for digital archives, it remains essential to always have the paper originals available, catalogued and archived according to criteria that allow the Office to find and consult them quickly; this might increase the effectiveness of internal controls: our audit, on the contrary, revealed that the filing is not done systematically in both ways, with a risk of loss of information and lack of completeness of all files on the employee's working life.
124. For instance, our audit revealed that, in part of the audited files related to staff who left the Union in 2019-2020, the formal assessment required by the rules for the transition to the successive step of professional progression is missing, which entails the right to a salary progression for the employee.

Recommendation n. 7

125. In order to mitigate the risks of loss of relevant information and of wrong validation of entitlements, according to the current HR framework, and to improve the efficiency and effectiveness of monitoring personnel documentation, while increasing the accuracy of internal financial controls on correct benefits' entitlements, we recommend to strengthen the process of digitalization of personnel files, through a comprehensive and effective personnel e-filing system, supported by robust backup and disaster recovery systems, combined with an efficient and effective classification and archiving of the original paper documentation.

Comments by the Secretary General

The recommendation is accepted. The organization will invest in the development and implementation of a comprehensive personnel e-filing system as described in the recommendation. Implementation of this system will require additional resources which need to be assessed.

The disciplinary procedure

126. in previous reports (Rec. n. 6/2019, Rec. n. 20/2018, Rec. n. 3/2017), we considered essential for ITU that the presence of a robust HR framework should have also the objective to enable staff to carry out efficiently and effectively their duties. However, in case of errors (whether intentional or not, poor management, fraudulent activities), disciplinary actions should be an effective (although extreme) instrument to strengthen compliance, deter misconduct and, above all, protect the Union from the risk that any harmful behaviour of employees can be perceived as tolerated, producing negative financial consequences and a reputational risk for the Union.
127. Our audit revealed several weaknesses in the current framework of disciplinary actions at ITU: we detected cases where, if a disciplinary procedure had been applied timely and effectively, the damage for the Union (for example, reputational risks and/or financial loss) could have at least been reduced or minimised.
128. In ITU "Staff Regulations and Staff Rules" at Chapter X, there are below specifications: Regulation, Disciplinary measures and rules, and also

Misconduct, Sanctions, Provisional suspension from duty, Right of defence, due process and Joint Advisory Committee.

129. Despite a certain completeness of the list, we however found no specific rules able to maintain also the effectiveness and efficiency of a disciplinary procedure, like, for example, an adequate timeframe set (except for the four weeks in which the Joint Advisory Committee should provide its opinion to the SG) and the circulation of information amongst different Unit, in order to prevent unduly payments to staff which were under a disciplinary process.
130. Further to this, even The Service Order No. 19/10, governing the “ITU Investigation Guidelines”, does not contain rules establishing the timing for the disciplinary procedure or for the pre-disciplinary phase.
131. We also considered the capacity of the current Ethics framework at ITU, where the Code of ethics is dated 2011 and the following revisions concern only some specific aspects, different from the disciplinary process.

Policy	Date In Force
Code of Ethics (SO 11/02)	2011
Standards of Conduct for the International Civil Service (SO 17/07)	2017
Policy and Protection for Reporting Misconduct (Whistleblowing) (SO 20/06)	2020
ITU Policy on Harassment and Abuse of Authority (SO 19/08)	2019*
Policy Against Fraud, Corruption and Other Proscribed Practices (SO 19/09)	2019
ITU Policy on Declaration of Interests (SO 20/07)	2020*
ITU Investigation Guidelines (SO 19/10)	2019
Data of the ITU_Ethic Officer	*Under revision

132. A relevant part of the framework related to disciplinary procedure is for “Misconduct” (see Article 10.1.1 of the Staff Regulations and Staff Rules), and this framework ultimately does not prevent someone who has previously obtained a certificate of good conduct (see Regulation 9.18 Certification of service) for using it to avoid or contest being subject to any disciplinary procedure after having left the organization.
133. Furthermore, our audit revealed that there is no indication of the previous stage (who does, what and when) to activate the procedure, there is no consideration and resolution for any conflicts of interest related to the participation in the Joint Committee, there is no record of tracking of the activities carried out by the Joint Committee, there is no written rule of how meetings of the Joint Committee must

be recorded, and it does not seem to be a voting system, which makes it clear how the Committee arrived at its decision .

134. For assessing efficiency and ability of the current framework, in particular its ability to address any conflicts of interest in the Joint Committee, we have analysed a sample of cases, some that led to disciplinary proceedings and others that did not result in disciplinary proceedings. Amongst the latter, a case involving a top management highlighted the extreme weakness in the Union's ability to react.
135. In this case, since there is no specific rule on timing and methods and who should initiate the procedure, we noted that, if there had not been an unexplained dilation – by the former Head of HRMD – in circulating useful information, some people would not have obtained to leave the Union without any disciplinary procedure, even if there had been the ascertainment of responsibility of some fraudulent activity.
136. The regulation lists the overall sanctions (Article 10.1.2), but the criterion to apply one or the other is apparently not established ex ante.
137. The following Article 10.1.3 provides for the "Provisional suspension from duty"; although this could be considered as an early protection of the Union, we consider not sufficient the following elements:
 - (i) the phases are not set, it is not specifically indicated who (HR, Legal Office, the Joint Committee, Ethics Officer) must monitor the application and development of the resulting process, that is, to assist the Secretary-General in its implementation;
 - (ii) In substance, the suspension from duty becomes non-applicable, without the possibility to identify the level of a negligence in implementation;
 - (iii) when the process regards an apical entity, involved in personnel processes, the disciplinary system does not appear adequately protected from possible manipulation.
138. All these shortcomings in the disciplinary proceeding demonstrated the weakness of the sanctioning system and especially the inadequate response capacity of management to protect the Union, as we detected in specific cases.
139. It is worthwhile mentioning that, in one specific case, the Secretary-General asked for a clarification to a superior official, through a letter, for the presumable involvement (direct or indirect) of this manager in a series of fraudulent activities carried out in a regional office, jointly with a request of clarifications of the facts

arisen from an Investigative report previously brought to the attention of the Secretary-General. However, no answer was provided to the SG, and sometime later this subject was allowed to leave the Union without being ascertained whether he had any responsibility, as it seems to have emerged from the abovementioned Investigative report.

140. For the Legal Service, the legal adviser in charge, told our team that he had communicated his abstention for the bond of friendship with the subject involved in the request. For HR the person concerned was the head of the Office so there was a conflict issue.
141. Although the individual person had to abstain (even if there is no document on the record on this issue), each Service should have carried out its job; however, no rule imposed this, and nothing was done. The absence of precise rules, stating which entity must assist administratively this type of activity, also allowed that in no other sectors there is a recording or a formal assessment.
142. Furthermore, although the Investigative report was precisely identifying severe managerial responsibilities in not having prevented frauds, it emerged that no disciplinary action was taken (neither precautionary suspension of duties, nor disciplinary proceedings), and these top managers were authorized to early departure, even taking advantage of an early termination procedure with benefits (please refer to the dedicated above section), without any sanction.
143. The resulting fraud damage is specifically addressed in this report; the disciplinary model used by the ITU has not sufficiently protected the interests of the ITU, resulting in an inefficient process, with an information management that formally exists but whose use for the purpose of disciplinary proceedings was rendered unproductive by the lack of time scanning rules and allocation criteria for SG support skills.

Recommendation n. 8

144. We recommend enhancing the efficiency and effectiveness of the disciplinary process, establishing sanctions that are able to protect the ITU from risks deriving from staff fraudulent behaviours, in particular when there is a financial loss.
145. We also recommend strengthening the Union's capacity to react to fraudulent staff behaviour, in particular exploring the possibility to prosecute staff found guilty after their departure, not only for recovery purposes, but also for insertion in any existing shared UN databases related to people directly or indirectly involved in financial losses.

Comments by the Secretary General

The recommendation is accepted. The organization will review the disciplinary process and related mechanisms as stated in the recommendation. The organization will also explore the feasibility of taking measures with respect to staff who have committed fraud and who have left the organization before a disciplinary sanction has been applied, including for inclusion in any UN databases where feasible and available.

Expenses for contractual services and the SSA framework

146. The total expenditure for ITU contractual services in 2020 was MCHF 14.5. This item covers expenditure on personnel who are not staff but qualified as advisers. ITU, indeed, utilizes for its mission also non-regular workforce, in the form of: Short-term staff members, Internships, Funds-in-Trust (FIT), Project staff, Loan, Consulting service contracts.
147. The situation of the above amount is shown in Note 24 of the Financial Operating Report (segment reporting) and can be detailed as follows: Regular budget Funds (1000 & 1010) = CHF 11,425,656.90; Extrabudgetary Funds (3020 & 3040) = CHF 2,966,081.00; Telecom Fund 3000 = CHF 120,386.27. The consultants' service is linked with a total number of consultant contracts in ITU for n. 857 in 2020.
148. This type of expenditure has been the subject of our particular attention, given that the items included in 2020 are a reflection of the risks already highlighted in our previous audits (Rec. n. 17/2018, Rec. n. 20/2018).
149. Considering their characteristics and variable duration, some contracts initiated in the previous financial year were still active or were concluded in 2020. The mentioned expenditure refers to the part of the payments happened in 2020. In the Special Service Agreements "SSA's and consultants/experts' recruitment" (ref. 20100211 issued on 11 February 2010) it is indicated that the payment has as parameter the number of contracted days (the daily rate).

Description	2019	2020	% var.
Contractual Services Expense	CHF 13,821,417.00	CHF 14,512,124.00	+ 5.0%
Contractual services SSA Expense	CHF 6,335,624.00	CHF 8,551,685.00	+ 35.0%
Total Number of SSA Contracts	817	816	- 0.1%
Total Number of SSA Headcount	514	492	- 4.3%
Total SSA Contracted Days	36,021	45,234	+ 25.6%
Number of Consultant Contracts by Sector in 2020			
Sector	Number of Contracts		
GS	293		
BR	30		
BDT	456		
TSB	78		
Total	857		
	(* Headcount: 492 ** 15 “Not Assigned” contracts excluded)		
Number of Translator Contracts by Sector in 2020			
Sector	Department		Number of Contracts
GS	Conferences and Publications Dept.		70
	Strategic Planning and Membership Dept.		1
Total			71
			(* Headcounts: 47)

150. Total SSA contract days increased in 2020, which may explain why they have 35.0% more SSA spending than in 2019.

The current framework for hiring consultants through SSA does not protect adequately ITU from financial and reputational risks

151. HRMD reported to us that, meanwhile the recruitment process for SSAs (consultants and experts) is currently managed by the Staff Administration Service (SAS) within HRMD and the Hiring Managers (HM) in the Bureaus and Departments of the General Secretariat, in past years, as a pilot project, the Organizational Design and Recruitment (ODR) Service within HRMD has been tasked with the publication of vacancy notices (VN) for SSAs. When the publication of a VN is closed, ODR sends applications to HMs and the selection and hiring process is administered by SAS and the HM.
152. HRMD also informed us that currently is under development a project where all BDT administrative IT applications will be migrated into the corporate ERP/CRM system; further, HRMD is also preparing Recruitment Guidelines and replacing its Recruitment Management System (RMS), with the aim of further strengthening internal controls over the recruitment of ITU consultants and experts. These new processes will be audited when fully operational.

153. During our audit, we detected that data related to SSA are not directly available in HRMD, but, on the contrary, they should be requested to another unit through a SAP query: therefore, an adequate constant monitoring by HRMD is not directly possible and we consider that this internal control should be enhanced.
154. The aforementioned Service Order (ref. 20100211 issued on 11 February 2010), currently still in force and still regulating SSA contracts signed in 2020, is not involved in mentioned review process
155. We consider that, if this SO will not be adequately revised, also in the light of an enhanced fraud prevention exercise, this will undermine the capacity for ITU of being protected against fraudulent use of hiring SSA, also because the current framework does not consider how to protect the Union from risk such as circumvention, collusion in misconduct, conflict of interest or arbitrary conduct.
156. Furthermore, this SO establishes the “General Criteria” of the consultants’ remuneration for the daily pay rates, identifying an interval between a minimum and a maximum linked to professional levels: nevertheless, we found that in none of the sampled files examined is possible to easily trace and recalculate the amount paid to the consultant with the criteria listed in the SO.
157. According to such “General Criteria”, the determination of the exact remuneration is established by the Head of the Unit/Office concerned, together with the Budget Holder, while the Administration and Finance Department will have only to approve the proposed remuneration. Further, in all the dossiers we have examined, there is no evidence on the decision which determines different level of remuneration (grade, daily rate etc.) to different consultant for similar works.
158. Without a clear indication of the level of complexity of the work that should have been carried out, it was difficult to reconstruct *ex post* the correctness of the remuneration awarded.
159. Ultimately, this process substantially concentrates the decisional authorizing power in one Unit or even a staff, and, therefore, without an appropriate segregation of duties, risks might increase at ITU: for instance, this concentration of authorization’s power created the ground for a relevant fraud in a Regional Office.
160. Furthermore, the mentioned concentration of the decisional power in one Unit/staff even increases the risks above mentioned, because the risk it is not only related to a correct calculation of the remuneration of a Consultants, but also to the fact that the initiating Unit might influence, for instance i) the selection process (through the criteria definition and identifying the minimum skills required

for the vacant post), ii) the maintaining of a consultant roaster, iii) the evaluation and performance appraisals of the work carried out by the consultants and iv) the renewal of the contract.

161. For instance, our sample audit revealed that not always tasks were correctly identified and listed, no specific and measurable objectives were created, followed by accurate KPIs, no link of objectives to milestones, no request of a time reporting and the absence of monitoring tools that would have facilitated a more objective performance appraisals minimizing the risk that the Requesting unit might incur in a fraudulent agreement with the consultants, as it was also find in several SSAs during the investigation for the fraud in a Regional Offices.
162. Furthermore, also the lesson learned in relation to the abovementioned fraud, having audited several SSA contracts at the level of HQ and Regional Offices, are supporting the relevance for ITU of having a segregation of duties when recruiting consultants: for instance, in relation to the fraud, we found that the current chain of approval, through a defined hierarchy, has not properly worked, because it has been configured as a simple sequence of visas and signatures, without any substantive and/or automated check, also without a proper system of delegation of duties able to identify any incompatibility and/or potential conflict of interest
163. We therefore consider important that the new revision of the SSA recruitment and the related performance assessment process will address such risks as above identified.
164. We also compared the current legal structure of a staff contract with the one of an SSA, even understanding the logical legal differences amongst them, and then we observed that in the SSA sampled the signing of the Code of Ethics is missing.
165. In particular, we observed that, while for the staff recruited in the Union there is an automatic subjection of the staff to the ITU rules and provisions (because they are directly referred to in the contract or because indirectly applicable due to the status of staff hired), in the case of consultants all obligations above mentioned are not contained in the contract, although with the service order n. 11/02 of 22 February 2011, the SG promulgated the Code of Ethics for ITU personnel. It indicated the extension to all persons who perform any form of ITU work, including those working under an SSA.
166. In all the SSA dossier analysed, we found that several clauses are missing, and this exposes the Union both to the risk of losing in the event of litigation and to the risk of paying the consultant even in the event of poor performance.

167. In conclusion, the current management system of the SSA does not protect sufficiently ITU from fraud and financial losses, increasing the risk that internal controls will not be able to detect irregularities in the payment process to consultants and/or in the performance of the work delivered.

Recommendation n. 9

168. In order to mitigate financial, reputational and fraud risks, which might affect the available funds of the Union, we recommend enhancing the framework for hiring consultants, especially for the determination of the amount due and daily salary that should be paid to consultants, in a way that make possible to perform an accurate recalculation of the amount due, also by different staff involved in the supervision of the internal control process.

169. In particular, we also recommend that:

i) the assessment of the consultants' performance should be enhanced by controls that include hierarchical statements of accountability over the quality of the work performed, guided by specific, realistic and measurable objectives, and accurate key performance indicators duly agreed between parties, and which should be included in the SSA contract;

ii) HRMD should increase its monitoring capacity of SSAs, especially before any renewal, through the access to internal and UN databases that could highlight potential risks related to a specific consultant;

iii) the contractual conditions for SSAs should include clear references, through specific clauses, that guide the consultants to adhere to the ethics framework of the Union, including a direct reference that the remuneration is subject to performance appraisal;

iv) once realised the strengthened common framework, in case any local regulation require a different set of rule for contracts, ITU should be ready to adapt this, even envisaging customised tools to assess the correspondence and adherence of the work performed to objectives as stated in the SSA contract and/or additional contractual clauses to protect the Union in that specific legal context.

Comments by the Secretary General

The recommendation is accepted. The organization will review its internal framework of policies and procedures to ensure that (i) there is a framework for the determination of consultants' rates, (ii) the performance of consultant's is reviewed, including hierarchical statements of accountability over the quality of the work performed, (iii) specific, realistic and measurable objectives, and accurate key performance indicators are included in the SSA contract, (iv) internal and UN misconduct databases (where available) are reviewed before providing a contract to a consultant (first or renewal), (v) the contractual conditions for SSAs include the obligation to adhere to the ethics framework of ITU, including a direct reference that the remuneration is subject to performance appraisal, and (vi) adapt the rules if and when local regulations require it. ITU does not exclude the use of a third independent entity to evaluate the work of the Consultants.

EFFECTIVENESS IN FRAUD INVESTIGATION, DETECTION AND QUANTIFICATION

170. In paragraph 126 and following, we have analysed the current disciplinary framework and if and how it is effective in preventing the risk of fraud and consequent financial losses; further, in the last year's report we reported whether the current Ethics framework in term of legal framework and processes were sufficient and effective in supporting whistleblowing and preventing misconduct, addressing several recommendations to ITU.

171. In June 2019, we brought to the Management attention and to the Council our position on the status of the investigation through our special report "Addressing fraud at ITU: what action for more effective management?"

172. In the next paragraphs we will illustrate the ongoing situation with respect to our recommendation and how and if they were implemented effectively.

Our Special Report issued in June 2019 about effective fraud management: still several urgent actions are needed toward Staff with Managerial Responsibility

173. With reference to our special report issued on June 2019, "Addressing fraud at ITU: what action for more effective management?", we issued 16 recommendations.

174. Amongst them, we recall Rec. n. 10, titled "Ascertaining lack of diligent supervision", where we stated "In order to improve the framework for fraud

prevention and deterrence, we recommend that Management further investigate, without delay, the reasons why hierarchical controls have been so ineffective in detecting a fraud that was perpetrated along several years. In particular, Management should assess to what extent the official's superiors' behaviour was appropriate in terms of the standards of diligence and managerial skills that can be expected from officials in their position and investigate if other people are involved in fraudulent practices".

175. We observed that, since June 2019, the above recommended investigation process related to Management responsibilities is contained only in an investigative report¹, and, at the moment, there have been no further developments. Furthermore, we noted, as also reported in para 110 and Recommendation n. 8, that some officials, even being under investigation "*as possible responsible of omission and/or ineffectiveness regarding due diligence amounts to both individual and systemic shortcomings as well as dereliction of management responsibilities*"², were allowed by ITU to the voluntary separation, taking advantage of a programme which had been approved with Extraordinary Council decision 582 of 12.11.2014, and SO 2019/014 and SO 2019/017 (see above, paragraphs 99 and seq.).
176. We acknowledge that ITU asked UN-OIOS to provide assistance for specific tasks; however, we consider that a request to UN-OIOS for a structured cooperation (for instance, a MOU or a multiple years' mandate totally financed by ITU) could have had more chances to be agreed.

Recommendation n. 10

177. In line with our recommendation 10/SR2019, where we had recommended "that Management further investigate, without delay, the reasons why hierarchical controls have been so ineffective in detecting a fraud that was perpetrated along several years. In particular, Management should assess to what extent the official's superiors' behaviour was appropriate in terms of the standards of diligence and managerial skills that can be expected from officials in their position and investigate if other people are involved in fraudulent practices";
178. considering our above Recommendation n. 6, related to the package for the voluntary separation;

¹ We refer to the confidential report, released by an external investigator – under the instructions of the ITU and the Head/IAU – in early 2020 (the so-called "Further report").

² See the mentioned "Further report".

179. considering also that there is the risk that responsibilities of all people directly or indirectly involved in the fraud, including ITU Staff in the “first, second and third line”³ with supervisory duties, have not yet been ascertained,

180. we therefore recommend

(1) keeping on investigating all the staff having had “managerial responsibilities” (any dereliction of management responsibilities in the oversight and supervision) in the fraud, finalizing the investigation also towards Managers that had an early retirement or a voluntary separation;

(2) exploring any legal possibility in the UN system or through the help of National judicial Authorities to launch effective actions able to recovery any unduly amount paid, in particular, if considered responsible, also towards staff with Managerial responsibility who left the organization with an early retirement or a voluntary separation;

(3) acknowledging that 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; in case the new investigative function at ITU has not sufficient expertise and/or staffing capacity to conduct the above mentioned actions, exploring urgently the possibility of having a MoU with OIOS in order to conduct timely such investigations and definition of any amount unduly paid.

Comments by the Secretary-General

The recommendation is accepted. However, it should be noted that the ITU management has repeatedly requested assistance from UN-OIOS without success. In the light of the arrival of the Head of the Investigation Unit and based on her experience and annual programme, ITU will not exclude the possibility of establishing a framework agreement with UN-OIOS in the future. ITU will continue to review the whole system concerned.

³ We refer to the “THE IIA’S THREE LINES MODEL – an update of the Three Lines of Defense”, published in 2020 by the Institute of Internal Auditors

Our recommendation on asking an in-depth investigation to OIOS was superseded by Council Decision 613 asking for forensic audit performed by a private external enterprise specialized in financial crime investigations.

181. In our mentioned Special Report, issued on June 2019, the recommendation 11/SR2019, titled “Independent Experts for in-depth investigation”, recommended to “(...) *urgently consider the option of tasking a specialised “expert in investigation”, independent of ITU Management, to carry out a more in-depth analysis. It might be appropriate, for instance, to contact the UN Office of Internal Oversight Services (OIOS) in order to understand whether they can be directly involved or help ITU find the most suitable investigator*”.
182. Following that recommendation, with Decision n. 613, Council decided that “*an external enterprise specialized in financial crime investigations*” should be mandated with carrying out a forensic audit of the ITU, allocating an initial amount of CHF 1.1 million, to fund this forensic audit, from the 2018 budget implementation savings.
183. However, our recommendation was directly finalised to have a public UN entity (OIOS) to perform such specialised investigation. In accordance with such Decision, ITU Management did not contact OIOS and started a tender process for forensic audit services.
184. Considering the relevant amount made available by Council from ITU Budget for carrying out the forensic auditor, Management and Stakeholders’ were expecting to have an effective investigation, able overall to: (i) define the financial perimeter of the fraud with the aim to correctly book a provision in the Financial Statements; (ii) ascertain any other fraud in the regional Office or at HQ level; (iii) find “omission and/or ineffectiveness regarding due diligence amounts to both individual and systemic shortcomings as well as dereliction of management responsibilities” as stated in previous paragraph 175.
185. During our audit, we followed up Management’s actions in order to ascertain the level of implementation of our recommendation through the attendance to several meetings and the issuance of Letters to SG.
186. We acknowledge that the Secretary-General was always responsive to our recommendations. After receiving the forensic audit report from the chosen external service provider, this was deemed not exhaustive even for the definition of the fraud perimeter; for this reason, the SG, under his direct supervision, has tasked an internal staff for a special work for this purpose.

187. We also acknowledge that IMAC was always very supportive; we had a continuous and open dialogue, in order to follow up any action in the Union's interest.
188. We highlight that Management is still analysing the report of the external service provider, whether the forensic audit provided or not direct or indirect indication of any managerial responsibility. Management is also awaiting the entry on duty of the new ITU Investigator.

To the Council's attention (1)

189. We draw the attention of the Council to the fact that, having assigned the forensic audit to a private provider instead of OIOS, which on the contrary is expert of UN rules and procedures, this had an impact on ITU's assurance on the output's delivery timeframe: the activity performed should now be assessed qualitatively and quantitatively by Management.

Third line of defence to be assessed if fully effective in fraud detection

190. As reported above, we indicated that Management is still analysing the report of the external service provider related to the forensic audit; we also acknowledged the activity directly carried out by the SG for quantifying and defining the exact perimeter of the fraud in the regional office of Bangkok.
191. The quantification work performed till now revealed that, already in 2016, the former BDT Director informed officially the SG that there were doubts on the transparency and regularity on the Expert recruitment in Bangkok office, particularly the project involving two Member States and recommended that a desk review be undertaken on all contracts signed over the last 3-5 years. The SG concurred with the request and instructed the IAU to undertake the review assignment. IAU performed an inspection, which ended in a number of recommendations; however, no evidence results of a follow-up effectively carried out by the IAU, as it would have been required by the severity and type of inspection carried out. None of the consultants, at that time, was suspended or blacklisted.
192. The work carried out now revealed that the vast majority of the consultants indicated in the list prepared by BDT in 2015 (but not communicated by the BDT Director to the SG or to the IAU) were directly or indirectly related to the fraud, and therefore the magnitude of the fraud during the past years, after 2016, has

increased; therefore, we consider relevant to understand the reason why the Inspection was not able to detect fraudulent activities.

193. Furthermore, after our Special Report issued in June 2019 and more, after the Management Letter that we presented to the Secretary-General in the margin of the final Session of Council 2018, held in Dubai on 27 October 2018, the IAU has carried out no additional investigations in relation to the fraud in Bangkok; this, in our view, should have been needed, in relation to the Fraud prevention.
194. We understand that the Union was awaiting the finalisation of the forensic audit; however, given the relevance of the fraud, an “independent” unit might have “autonomously” tried, even in parallel with the forensic audit, to carry out additional activities, aimed to follow up any action that could have safeguarded the Union’s interest.
195. Moreover, these actions carried out as “third line of defence” might have helped and protected the SG from not taking decision that could have caused unduly payments: for instance, as reported above, the said authorization to pay the separation package to people leaving ITU although an investigation over them was still pending.
196. According to its “three lines model”, the Institute of Internal Auditors considers that “Internal audit provides independent and objective assurance and advice on the adequacy and effectiveness of governance and risk management. It achieves this through the competent application of systematic and disciplined processes, expertise, and insight. It reports its findings to management and the governing body to promote and facilitate continuous improvement. In doing so, it may consider assurance from other internal and external providers”.
197. It is to be mentioned that we will carry out the assessment of the internal audit function, according to the UN practices and guidelines; however, we are of the opinion that a specific assessment exercise on the reasons why the IAU was not in the condition to properly act as a “third line” in the described situation is needed, particularly with regard to the investigative function, which was assigned to the IAU at that time, and in relation to its capacity of protecting effectively the SG.

Recommendation n. 11

198. According to our previous considerations and recommendations, we recommend starting as soon as possible a specific assessment on the reason why the IAU, that was also tasked of investigative Authority, was not able to capture timely these major risks in the organization (namely the financial, fraud and reputational risks), not effectively protecting SG in his duties. This exercise is also particularly important in consideration that, in line with our recommendations still open and ongoing, several new procedures are currently established for instance, just an example in BDT, PROC, HRMD etc., and there is an urgent need that Union might be supported by effective assurance services.

Comments by the Secretary-General

The recommendation is accepted and ITU will seek options for an independent entity to carry out this assessment work of the Internal Audit Unit.

STATEMENT OF CHANGES IN NET ASSETS FOR THE PERIOD ENDED 31 DECEMBER 2020

199. 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 3 (see also para. 54 seq.).

TABLE OF CASH FLOWS FOR THE PERIOD ENDED 31 DECEMBER 2020

200. 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.

201. In 2020, the ITU reported a negative cash flow from operating activities of 21.1 MCHF, where at the end of 2019 it was of -7.5 MCHF. A positive cash flow was reported from finance activities (2.2 MCHF), represented by the repayment of the FIPOI loan.

202. Net cash flows from investment activities (-62.2 MCHF) showed a negative variation from 2019 (12.3 MCHF), entirely due to the increase of investments, which passed from 33.3 MCHF in 2019 to 95.5 MCHF in 2020.

203. This was reflected in the net result of cash and cash equivalents, which showed a decrease of 79.45 MCHF in 2020, from 178.85 MCHF at the beginning of the

year to 99.4 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 2020 FINANCIAL PERIOD

204. Table V “Comparison of budgeted amounts and actual amounts for the 2020 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.
205. 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

206. Two Funds are reported in Annex B3 of the Financial Operating Report: the “*Reserve and Complement Fund*” (with Total Assets amounting to 5.8 MCHF (in 2019 they were 6.2 MCHF) and the “*Assistance fund*” (with Total Assets amounting in 2020 to around 0.3 MCHF, same as 2019).
207. 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.
208. 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 2020, the Reserve and Complement Fund paid out 16 retirement pensions (they were 21 in 2019) and 16 survivor’s pensions (they were 17 in 2019); the Assistance Fund served to assist staff members and pensioners in difficult financial situations.
209. To avoid negative interests on the Swiss Francs, in 2020 USD 5 million were purchased and invested, reducing the amount of cash and cash equivalents; this led to a surplus amounting to CHF 7’984 for the Reserve and Complement fund.

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

210. 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.
211. 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”.
212. 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.
213. As shown in the above-mentioned table under Note 20, ITU own funds allocated to projects increased in 2020 to 8 MCHF from the 2019 value of 5.3 MCHF.
214. The total third-party funds also increased in 2020 (42.8 MCHF) compared to 2019 (38.3 MCHF). This was due to an increase of external contributions, partially compensated by a decrease in the implementation of third-party funds allocated projects, due to the situation deriving from the pandemic. Third-party funds awaiting allocations increased in 2020 to 4.4 MCHF (they were 3.2 MCHF in 2019).

FOLLOW-UP TO PREVIOUS RECOMMENDATIONS AND SUGGESTIONS

215. 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.
216. 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. 1/2019	<p>A) <u>We recommend</u> 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.</p> <p>B) In this connection, we recommend enhancing this responsibility with stricter rules.</p>	<p>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.</p> <p>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.</p>	<p>Update as of March 2021:</p> <p>Physical inventory for 2020 was revoked upon decision by Secretary General, due to the Covid-19 situation.</p> <p>The ITU will review ways of reminding staff of outstanding inventory confirmation requests. And we continue to look into how we can better enforce SO 17/10.</p> <p>Update as of October 2021:</p> <p>The physical inventory will be conducted in November & December 2021.</p>	Ongoing
Rec. 2/2019	In the event of the merging of vendors, <u>we recommend</u> updating the suppliers' database immediately, as soon as the merger is disclosed.	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.	Update as of October 2021: As soon as ITU is aware of merging of vendors, ITU requests the vendor to provide an updated Supplier Registration Form and ITU updates accordingly the vendor profile in SAP.	Closed
Rec. 3/2019	<u>We recommend</u> 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.	ITU believes it achieves transparency by sending a Letter of Regret to all unsuccessful bidders which contains the contract value of the awarded vendor.	Update as of October 2021: The contract value is indicated in the contract award notice in UNGM.	Closed
Rec. 4/2019	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 <u>we recommend</u> 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.	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.	<p>Update as of March 2021:</p> <p>There are continuous efforts to include all the functionalities in the corporate ERP (e.g., the migration of BDT Experts recruitment management to SAP is in progress) in order to take advantage of an integrated ERP; more process automation, more business rules validation together with having more modern user interfaces improving users' experience. The last bug fixes will be deployed in April 2021. The Enhancements list of 73 items has since the last reporting in 2020 grown</p>	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
	<p><u>We also reiterate our recommendation</u> 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.</p> <p>In the meantime, <u>we recommend</u> quantifying and properly disclosing the potential impact of retroactive recoveries on ITU accounts.</p>		<p>to 101 of which close to 70 have been completed/implemented.</p> <p>Update as of October 2021:</p> <p>HRMD in collaboration with ISD, and other Departments where necessary, will maintain, troubleshoot and upgrade the SAP HR system based on pre-agreed scopes of work, which is a continuous work.</p>	
<p>Rec. 5/2019</p>	<p><u>We also recommend</u> 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.</p>	<p>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.</p>	<p>Update as of March 2021:</p> <p>The Human Resources Management Department is reviewing technologies and external services (including with other UN agencies) that could be used to ensure that all human resources documentation is properly and securely filed. This includes all personnel files and actions.</p> <p>Update as of October 2021:</p> <p>Together with the Information Management Service at ISD, HRMD is working on cleaning the paper files and determine what to keep and to be stored and for how long in the ITU archives, and what needs to stay with HRMD, specifically in view of the move in 2027 to the new HQs. There is also an additional ITU wide process of information governance which HRMD is involved in, this process will provide an opportunity for e-filing with an information management system.</p>	<p>Ongoing</p>
<p>Rec. 6/2019</p>	<p><u>We recommend</u> giving impetus to the enforcement of the new Strategic framework, through operational plans and a timeframe to implement them.</p>	<p>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.</p> <p>Within the HR goals and the objectives of improving the delivery capacity of ITU, concluded</p>	<p>Update as of March 2021:</p> <p>The Human Resources Strategic Plan (HRSP) the key planning document which intends to operationalize the human resources strategy and includes clear deliverables and timelines. Progress on the HRSP has been reported in document C21/54 "Progress report on the implementation the HR Strategic Plan and of Resolution 48 (rev. Dubai, 2018)" to be presented to Council 2021 in June 2021. It includes, among others, information on process improvements achieved; and new</p>	<p>Ongoing</p>

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		<p>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.</p> <p>The BDT has undergone the leadership culture assessment and is currently advancing an action plan to address areas that require further strengthening.</p> <p>The staff mobility policy is also taken up in the PwC review.</p>	<p>and updated policies put in place. It highlights the need for modernizing ITU's human capacity, processes, procedures and tools, as well as integration and harmonization with the United Nations Common System and the values of the international civil service. The ITU Human Resources Strategic Plan is a rolling strategy, which may be adapted as required, should new challenges or opportunities arise. Worth mentioning, in February 2021, the HRMD heads of service prepared a comprehensive briefing for the new Chief HRMD, prioritizing areas for business process reengineering.</p> <p>Update as of October 2021: See updates from March 2021, and in addition, the progress on the HRSP was successfully reported in document C21/54 "Progress report on the implementation the HR Strategic Plan and of Resolution 48 (rev. Dubai, 2018)" to Council 2021 in June 2021.</p>	
<p>Rec. 7/2019</p>	<p>We <u>renew</u> 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.</p> <p>We also <u>recommend</u> 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).</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> <p>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.</p>	<p>Update as of March 2021: A P5 Head, Investigations Unit post has been created and the vacancy announcement was published on 26 February 2021. The Head, Investigations Unit is independent and will be responsible for investigations. In addition to the P5 post, external specialized investigators may be engaged for certain allegations such as those that cannot be dealt with internally.</p> <p>Update as of October 2021: The vacancy announcement has been filled and the new Head, Investigations Unit will join ITU in January 2022.</p>	<p>Partially implemented</p>

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Rec. 8/2019	<p>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:</p> <p>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);</p> <p>b) complete the disciplinary proceedings currently underway with the greatest possible urgency, so as to ensure that concrete effects can result from this;</p> <p>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.</p>	<p>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.</p> <p>With respect to the recommendation n. 8, the Secretary-General comments more specifically:</p> <p>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;</p> <p>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;</p> <p>Regarding part c) of the recommendation: Such a provision does not exist in the ITU regulatory framework and the UN regulations are not applicable <i>per se</i> 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.</p>	<p>Update as of March 2021:</p> <ol style="list-style-type: none"> 1) Disciplinary procedures have been completed and sanctions have been pronounced and implemented. 2) The Law firm hired by ITU has finalized the complaint to be brought before the national courts in Thailand. It is awaiting some final procedural clarifications from the Thai Authorities before legal action is launched. 3) With regard to part c) of Rec 8/2019, it will be part of a more global reflection on the reform of internal disciplinary processes and procedures. <p>Update as of October 2021:</p> <p>A formal complaint has been filed with the Thai anti-corruption authorities against the perpetrator and potential accomplices.</p>	<p>Ongoing</p>

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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: 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: Some banks have still not registered our instructions we therefore are still doing a regular follow up on this issue.</p> <p>Update as of March 2021: Further to the end year confirmation a full review of the signatories registered with the bank has been done.</p> <p>Update as of October 2021: Ongoing process, the bank signatories are carefully monitored, and each change is reflected by sending instructions to the banks.</p>	Ongoing
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> <p>Update as of October 2021: During the implementation of this recommendation, it became clear that it will bring unforeseen and unwanted challenges during the goods receipt at HQ. For this reason, ITU proposes that the recommendation be implemented for regional offices only where the person requesting the goods/services can be easily identified in SRM by populating the field "Buy on behalf of" in the Shopping Cart. Relevant field will be informed accordingly.</p>	Closed
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	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	<p>Update as of December 2019 During Council 2019, ITU committed to enhance its annual Financial Disclosure Form in two areas: to ensure</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
	Declarations of absence of conflict of interest every year, in order to verify the truthfulness of the information declared by individual staff.	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>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> <p>Update as of March 2021:</p> <p>The ITU Policy on Declaration of Interests was promulgated in September 2020. The new Declaration of Interests and Compliance Statement is being rolled out to all ITU staff in Q1 2021. There will be training on the Policy on Declaration of Interests, along with other ethics-related policies, in April 2021.</p> <p>Update as of October 2021:</p> <p>In Q1 2021, the Ethics Office made available the Declaration of Interests and Compliance Statement and requested that staff complete their annual form. The</p>	

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			exercise is nearly complete as the Ethics Office is reviewing the forms submitted and is following up with individual staff where necessary. Ethics trainings for staff, which included training on the Policy on Declaration of Interests, took place in April, June, September, and October 2021.	
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.	<p>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.</p> <p>Update as of September 2020: BDT and IS are studying the feasibility of including country-level reporting in SAP</p> <p>Update as of March 2021: Regional reporting has been enhanced with the OP2021 planning process. Full country level reporting will be implemented with the implementation of SAP for BDT OP, scheduled for the end of 2021.</p> <p>Update as of October 2021: Progress with implementation of SAP for BDT OP continues, with full implementation having slightly slipped, now scheduled for end January 2022.</p>	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. 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.	<p>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.</p> <p>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.</p> <p>Update as of March 2021: Status unchanged. Currently, having implemented Cash Management, Assets Register, and Project Management no further regional guidelines are planned.</p> <p>Update as of October 2021: No further update, consider as implemented</p>	Closed
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: 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: 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>Update as of March 2021: Implementation of the levels of authority has been built into the expert recruitment process, but needs to be fully</p>	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
			<p>synchronised with all procurement processes which is underway.</p> <p>Update as of October 2021: Work on a detailed DoA framework, with specific spending authorities is ongoing as per the Regional Presence Review Report. This is expected to be completed in Q1, 2022.</p>	
<p>Rec. 14/2018</p>	<p>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.</p>	<p>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>	<p>Update as of December 2019: 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: 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>Update as of March 2021: A reminder will be issued in April to Regional Directors that ad hoc checks should be carried out from time to time. Periodic reminders will be issued moving forward.</p> <p>Update as of October 2021: A further reminder was issued at meeting of FRMD with the Regional Directors during the week of 8 -12 November 2021.</p>	<p>Closed</p> <p>We will test the effective implementation in future 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
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: Annual mission plans were introduced and will continue in 2020.</p> <p>Update as of September 2020: 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>Update as of March 2021: No Change.</p> <p>Update as of October 2021: Mission travel briefly resumed towards the end of 2021, and BDT is incorporating planning into the 2022 OP process.</p>	Ongoing
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: Under review.</p> <p>Update as of September 2020: 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> <p>Update as of March 2021: No change.</p> <p>Update as of October 2021: This recommendation is being reviewed for implementation in 2022.</p>	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
<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>Update as of March 2021:</p> <p>BDT has implemented strengthened procedures and systems for recruitment of experts, as of 30 March 2021. This addresses the identified weaknesses. The changes include:</p> <ul style="list-style-type: none"> • The Roster has been cleaned and reduced to eliminate duplication, defunct profiles, and profiles that have not been recently verified; • Expert recruitment has been revised and streamlined to assist BDT staff in recruiting an expert in an efficient and timely manner. • The new expert recruitment is designed to be fair, transparent and to adhere to the core values of integrity, professionalism and respect for diversity as well as to ITU Staff Regulation. • Profiles and the appraisal system of the roster of experts has also been updated to ensure quality, transparency and efficiency. <p>Further enhancements to automation will be implemented at the end of 2021, together with the migration of BDT's IT Tools to SAP.</p> <p>Update as of October 2021:</p> <p>Implementation of BDT SAP is scheduled for January 2022.</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> Update as of October 2021: <i>Considered as implemented</i>	Closed
			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	<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.	Update as of December 2019: <i>Implemented as per ITU Procurement Manual of June 2019.</i> Update as of September 2020 <i>Implemented</i>	Closed

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			issuing the expected ITU Procurement manual immediately.		Suggestion n. 2 Furthermore we suggest that ITU should revise the threshold for soliciting a minimum of three quotations to guarantee the sound financial management of the process	Update as of October 2021: Considered as implemented	
			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.	<i>Ref Document CWG-FHR 10/15 (Sept 2019) Point 8</i> Implemented <i>Procurement has implemented new procedures to do this on a monthly basis</i>	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: <i>Implemented as per ITU Procurement Manual of June 2019.</i> Update as of September 2020 <i>Implemented</i> Update as of October 2021: Considered as implemented	Closed Superseded by the recommendations in this report
					Report n. C18/40-E Audit of Financial Statements for 2017 Recommendation n. 8 We recommend that all	January 2020 Implemented	Closed

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
					procurement process (from the tender dossier to the contract awarded) should be properly documented so as to ensure accountability, transparency and auditability.	Update as of September 2020 <i>Implemented</i> Update as of October 2021: Considered as implemented	
					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> Update as of March 2021 <i>Implemented. In addition, all staff are required to complete a Declaration of Interests and Compliance Statement as per the ITU Policy on Declaration of Interests, which was promulgated in September 2020.</i>	Closed

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						Update as of October 2021: Considered as implemented	
					Report C18/125-E Special Report on Regional 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> Update as of October 2021: Considered as implemented	Closed
					Report C18/125-E Special Report on Regional 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>	Closed

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						Update as of October 2021: Considered as implemented	
					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> Update as of October 2021: Considered as implemented	Closed
					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:	Ongoing: our audit testing revealed that, in certain cases, Consultants involved have not been requested to sign a DACI

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						<p><i>A new financial disclosure policy has been implemented.</i></p> <p>Update as of October 2021: Considered as implemented</p>	
					<p>Report C18/125-E Special Report on Regional Presence Recommendation 20 Since we do not consider 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>	<p>Update as of December 2019: <i>The review and update of the current ITU Project 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: <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> <p>Update as of March 2021 <i>The new Project Management Manual has</i></p>	Closed

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						<p><i>been implemented, and administration is ongoing and monitored by the Project Support Division.</i></p> <p>Update as of October 2021: Implemented</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 to 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 5,000 per transaction and CHF 20,000 per calendar year and vendor.</p> <p>Update as of December 2019:</p> <p>Implemented as of April 2019.</p> <p>Update as of September 2020</p> <p><i>Implemented</i></p> <p>Update as of March 2021</p> <p><i>An anti-fraud training tailored for PROC staff</i></p>	<p>Ongoing: our audit revealed that the threshold has still been exceeded</p>

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						<p><i>took place in November 2020.</i></p> <p>Update as of October 2021: Considered as implemented</p>	
			<p>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.</p>		<p>Report n. C18/40-E Audit of Financial Statements for 2017 Recommendation n. 6</p> <p>We recommend Management to update the ITU SRM software to allow the monitoring of Purchase Orders/contracts executed in case of waiver of competition.</p>	<p>Update as of December 2018:</p> <p>This is part of the contract management project which is foreseen to be concluded in 2019.</p> <p>Update as of April 2019:</p> <p>None</p> <p>Update as of December 2019: Implemented as of June 2019.</p> <p>Update as of September 2020</p> <p>Implemented. Mandatory trainings have been put in place.</p> <p>Update as of March 2021</p> <p><i>Implemented. Mandatory trainings have been put in place, in particular an online antifraud training which was introduced in 2020.</i></p> <p>Update as of October 2021: Considered as implemented</p>	Closed
					<p>Report C18/125-E Special Report on Regional Presence</p> <p>We recommend organizing regular training for</p>	<p>Update as of December 2019:</p> <p><i>ITU conducted a first comprehensive project</i></p>	Closed

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					all staff involved in the procurement process in the Regional Offices and Area Offices.	<p><i>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 support of ITU projects. Due to the success of this first training, a second group and training will be planned for 2020.</i></p> <p>Update as of September 2020:</p> <p><i>Procurement training for Regional Office staff took place in November 2020</i></p> <p>Update as of March 2021</p> <p><i>No planned further implementation. Now ongoing.</i></p> <p>Update as of October 2021: Considered as implemented</p>	
Recommendation on the ineffective oversight role at the level of the RO							
			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	Ref Document CWG-FHR 10/15 (Sept 2019) Point 6 Implemented The BDT Director addressed on 23 August 2019 an internal memorandum on "Strengthening Internal Controls" to all BDT staff at professional and above	Report C18/125-E Special Report on Regional Presence Recommendation n. 13 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	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	Closed

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			the Regional Directors and holds them accountable for those oversight responsibilities (with the right balance between trust and accountability).	<i>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. Mail from R. Barr 18/10/2019: copy of the Memo mentioned below</i>	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.	<i>signature for all the bank transactions will certainly slow down the process and have a negative impact on efficiency of field offices.</i> Update as of September 2020: <i>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.</i> Update as of March 2021 <i>No planned further implementation. Now ongoing.</i> Update as of October 2021: Considered as implemented	
			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	<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>	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	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	Ongoing – the Accountability framework has not yet been approved

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			before, during and after its implementation.	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>	internet banking with the respective lines of responsibility).	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. Update as of March 2021 <i>The DOA has been implemented, however work is ongoing on a full table of delegation which will be developed in line with the ITU accountability framework.</i> Update as of October 2021: Considered as implemented	
			08/19-09/ML: It is also recommended that the Chief, HRMD, in collaboration with the Director, BDT promptly implements the	<i>Ref Document CWG-FHR 10/15 (Sept 2019) Point 16 In progress</i> <i>The members of the Coordination Committee of</i>			Ongoing

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			recommendations as per the inspection report of IA from 2016, including the introduction of competitive procedures for selection of consultants.	<p><i>ITU have agreed on the principle.</i></p> <p>Update as of September 2020: <i>Under implementation A new e-recruitment system is under procurement.</i></p> <p>Update as of March 2021 <i>All Experts (under a Special Service Agreement (SSA)) sign a code of ethics which comprises a conflict-of-interest statement. ITU's goal is to have all SSA opportunities advertised. The organization has started announcing all new SSA vacancies. . Announcement of SSA opportunities remains cumbersome and costly in the current recruitment system. This will be resolved with the new e-recruitment system. Call for Bids for the new e-recruitment system has been completed and a provider has been selected. Implementation is foreseen last trimester of 2021 early 2022.</i></p> <p>Update as of October 2021:</p>			
			09/19-09/ML: It is recommended that the Chief, HRMD in collaboration with the	<i>Ref Document CWG-FHR 10/15 (Sept 2019) Point 17 In progress</i>			Ongoing

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			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.	<p>Update as of September 2020: In progress SSA's deliverables are now uploaded in BDT portal before payments.</p> <p>Update as of March 2021 This has been fully implemented and is verifiable in the recruitment system.</p> <p>Update as of October 2021: Considered as implemented</p>			
			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 of valid SSA candidates with pre-checked CV's confirming proven histories of viable experience/academic qualifications.	<p>See Mail from R. Barr 9/10/2019 In progress</p> <p>Update as of September 2020: In progress Update as of March 2021 The roster was updated as of 1 January 2021, and processes for updating and maintenance have been implemented as of 1 April 2021. A call for new consultants will be issues in April 2021.</p> <p>Update as of October 2021: Considered as implemented</p>			<p>Closed</p> <p>We will check in future audit</p>

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			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.	<p>Update as of September: In progress SSA's deliverables will be uploaded in BDT portal before payments.</p> <p>Update as of March 2021 This has been fully implemented and reports and verifications are now monitored and stored in the recruitment system.</p> <p>Update as of October 2021: Considered as implemented</p>			Superseded by Recommendation 9 in this report

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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 is 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> <p>Update as of March 2021 See answer March 2021 to Rec. 4/2019</p> <p>Update as of October 2021: See answer October 2021 to Rec. 4/2019</p>	<p>This recommendation is ongoing and it is partially superseded by the new Recommendation n. 7 in this report</p>
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</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</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) <i>The development of the third pillar of the ITU competency framework has been</i></p>	<p>Status sub 1 is still ongoing</p> <p><i>Status sub 2) (in italic) was considered as "Closed"; it is reported here only to have the complete recommendation</i></p>

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	<p>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>2) <i>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.</i></p>	<p>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><i>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 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.</i></p> <p>Update as of March 2021 No further update.</p> <p>Update as of October 2021: A new Recruitment Management System (RMS) will be implemented and rolled out in late 2021 and early 2022 answering to elements on the recruitment of consultants.</p>	
<p>Rec. 1/2017</p>	<p><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.</p>	<p>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.</p>	<p>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.</p> <p>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.</p>	<p>Ongoing</p>

			<p>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.</p> <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> <p>Update as of March 2021 Contract with specialised workplace consultancy placed with D&S. Kick-off</p>	
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			<p>meeting to initiate the submission of initial deliveries planned at the beginning of April. First outputs providing guidelines for the design of a post covid19 work environment expected to report back to Council in June 2021.</p> <p>Creation of a cross discipline team to address change management and the implementation of new ways of working composed of members from BPD, HRMD, SCD and the Library.</p> <p>Update as of October 2021:</p> <p>Work is progressing with the change management cross discipline team to address change management, however, the work with the consultancy firm D&S was curtailed pre-maturely as their understanding of what ITU needs was not in line with our expectations and contractual agreement with them.</p>	
<p>Rec. 2/2017</p>	<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; 2) rationalize the flows for data storage and management, thereby correcting the current fragmentation; 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>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; - 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, 	<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>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</p>	<p>Ongoing</p>

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	4) enhance the salary payment function by introducing further checks on the payroll.	<p>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.;</p> <p>- 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>	<p>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 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</p>	

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			<p>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 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</p>	

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			<p>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>Update as of March 2021 See answer March 2021 to Rec. 6/2019</p> <p>Update as of October 2021:</p> <p>The 2019-2020 HR Enhancement project has been completed. Continuous improvements are never-ending. HRMD in collaboration with ISD, and other Departments where necessary, will maintain, troubleshoot and upgrade the SAP HR system based on pre-agreed scopes of work.</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,</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</p>	<p>Ongoing</p>

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	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 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>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>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 to 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>	

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			<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 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> <p>Update as of March 2021</p> <p>ITU is undertaking a comprehensive skills ga analysis to define the skills most needed for ITU's ability to remain relevant on the long term and foster a healthy organizational</p>	

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			<p>culture for its staff. This project also intends to create a baseline of the current level at ITU against each relevant skill, and to identify the largest gaps to be addressed. Finally, this initiative will design and implement the best set of actions to sustainably address the gaps and build the necessary talent resources for the future.</p> <p>Update as of October 2021: No further updates since March 2021.</p>	
<p>Rec. 1/2015</p>	<p><i>The accuracy of the Asset Register needs 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>Closed</p> <p>We will test in future audits</p>

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			<p>Update as of April 2019: The new SAP inventory software and scanning system is planned for implementation in 2019.</p> <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>Update as of October 2021: Implemented ongoing exercise</p>	
<p>Rec. 2/2015</p>	<p><i>A revision of the depreciation's coefficients is needed</i></p> <p>In this regard, <u>we recommend</u> 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 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: None</p> <p>Update as of December 2018: Current depreciation parameters are being reviewed and are planned to be implemented.</p>	<p>Ongoing</p>

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			<p>Update as of April 2019: SAP consultant is recruited to implement ERP system changes effective 2020. Update as of December 2019: 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>Update as of December 2020: The VCC2 approved the Amendments to Financial Regulations and Financial Rules related to the capitalization threshold which will allow ITU to set lower capitalization threshold internally and capitalize low value items. This will be implemented as from 2021.</p> <p>Update as of March 2021 The new capitalization threshold has been implemented starting January 2021.</p> <p>Update as of October 2021: SAP system configuration is being updated and capitalization threshold being reviewed per asset class.</p>	
Rec. 3/2012	<p>“Droit de superficie” Considering that it is important and in ITU's interest to extend the “droit de superficie”</p>	In January 2013, the Legal Adviser has already successfully contacted the Host Country competent Authorities in order to initiate a negotiation process.	The competent Host Country Authorities welcomed the request from ITU in principle and confirmed their interest as well as the	Closed

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	<p>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>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 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</p>	

			<p>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. 4) The draft of “Droit de superficie” contract should ideally be finalized by October 2018 <p>Update as of December 2018:</p>	
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			<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 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</i></p>	

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			<p><i>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.»</i>. 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.</p> <p>Update as of September 2020:No further development since last year.</p> <p>Update as of March 2021 It was agreed with the Authorities of the Host Country that it was not necessary, at this stage, to modify the current “droit de superficie” contract (DDP) until the settlement of pending issues relating to the peripheral security, the lie of the DDP and the possible sale of the Tower.</p> <p>Update as of October 2021: No further development since last March.</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. 4/2012	<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 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>	<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 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>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 2018: Current procedures and processes are being reviewed including the process for assets not found.</p> <p>Update as of April 2019: 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> <p>Update as of December 2019: New inventory system implemented in 2019 must minimize assets not found.</p> <p>Update as of September 2020: 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. 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>Update as of March 2021 Physical inventory for 2020 was revoked upon decision by Secretary General, due to the Covid-19 situation.</p> <p>Update as of October 2021: The physical inventory will be conducted in November & December 2021</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. 1/2019	For transparency reasons, <u>we suggest</u> publishing all award contract notices on www.ungm.org for contracts above 20k.	ITU agrees that for all tenders above CHF 20k, which are published on UNGM, the contract award shall also be published on UNGM.	Update as of October 2021: Contract awards are published on UNGM for tenders which are published on UNGM.	Closed
Sugg. 2/2019	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, <u>we suggest</u> starting a review of such contracts, above a certain threshold, and verify the impact of applying the new guidelines and rules to them.	ITU agrees to identify some strategic high-volume contracts and carry out a review as suggested.	Update as of October 2021: ITU reviewed contract for the External Construction Project Support Services Ref. CTR-S-HQP-2019-011 (RFP-HQP-2018-050 published in November 2018). The process and the outcome would have been the same if we applied the new guidelines and rules. ITU will identify other high value and still on-going contracts, and verify the impact of applying new PM.	Closed
Sugg. 3/2019	Acknowledging that a “report misconduct” link was introduced on the ITU's website, <u>we suggest</u> increasing the visibility of this link, for example by displaying it at the top of each webpage.	ITU will propose enhancing the visibility of the “report misconduct” link as part of the upcoming re-design of the ITU website.	Update as of October 2021: The re-design of the ITU website is currently ongoing and Ethics will follow up on enhancing the visibility of the “report misconduct” link.	Ongoing
Sugg. 1/2018	<u>We suggest</u> 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	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	Closed

	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
		management cannot decide but only propose the signature of a repayment agreement.	agreement. Update as of September 2020: No further comments. See above. Update as of October 2021: No further comments. See above.	
Sugg. 2/2015	<i>Host Country Agreements for Field Offices</i> We therefore suggest 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 offices where there is no formal host country agreement, is to codify existing practice through an agreement with the host countries concerned.	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. Update as of March 2021 The situation remains unchanged. However, the current reflection on the regional presence has also to be taken into account in this context.	Partially implemented

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			<p>Update as of October 2021:</p> <p>Discussions have continued regarding host country agreements for the identified offices, as well as considering updates for all offices.</p> <p>Effective on 11 May 2021, the HCA for the Jakarta office came into force by presidential decree, so this issue is now resolved and closed.</p> <p>The revision of the HCA for the Bangkok office to reflect the move and change in focal points, remains under consideration. This is being considered as part of a need to review and modernise all HCA. It should be noted that a revision to the HCA for Harare was recently proposed in connection with a move of that office, and has been agreed to in principle between ITU and the host country, for further action by legal and the RO.</p> <p>No change in the situation for the Chile HCA, but outreach continues.</p>	