



Agenda item: ADM 16

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Report by the Secretary-General

EXTERNAL AUDIT OF THE UNION'S ACCOUNTS ON ITU TELECOM WORLD 2019

Summary

The External Auditor's report covers the accounts for the ITU TELECOM World 2019 exhibition.

Action required

The Council is invited to examine the External Auditor's report on the 2019 accounts and to **approve** the accounts as audited.

References

[Financial Regulations \(2018 Edition\)](#): Article 28 and additional terms of reference



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REPORT OF THE EXTERNAL AUDITOR

Audit of ITU TELECOM WORLD 2019

28 May 2020

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SUMMARY OF THE AUDIT

1. According to Resolution 11 (rev. Dubai 2018), *resolves* no. 6, “the audit of ITU World (formerly ITU Telecom) accounts shall be carried out by the External Auditor of the Union”.
2. This report covers the results of our audit of the profit and loss account for the ITU Telecom World 2019 event, organized in Budapest (9-12 September 2019). This review is not to be considered as an audit of the financial statements drawn up under International Public Sector Accounting Standards (IPSAS), leading to an audit opinion. Its sole purpose is to inform the ITU Council that transactions with respect of this event have been correctly handled in the accounts.
3. Our audit of ITU Telecom World 2019 ascertained that the accounts submitted to us were accurate and that entries relating to the event had been correctly posted.
4. The event was organized and managed in accordance with Resolution 11 (rev. Dubai, 2018), which at *resolves* 7 provides that “each ITU TELECOM event shall be financially viable and shall have no negative impact on the ITU Budget on the basis of the existing cost – allocation system as determined by the Council”.
5. ITU Telecom World 2019 showed a positive event result at 31 December 2019 amounting to 908,606.56 CHF. However, with 61,600 CHF provisions for outstanding debts, the net result totalled 847,606.56 CHF which is significantly higher than the budget forecast (504,500 CHF).

Legal Framework and scope of the audit

6. The rules applicable to world and regional telecommunication exhibitions and forums and similar events organized by the Union are set out in Article 19 of the ITU Financial Regulations and Financial Rules. Specific features are also laid down in paragraph 4 of Resolution 11 and in the TELECOM Financial Rules and Procedures, which entered into force on 13 March 1998 and subsequently modified.
7. Resolution 11 (rev. Dubai, 2018) includes instructions for the Secretary-General that have also been duly considered in this audit.
8. On February 2019 a RFP for the appointment of a management consultancy firm to perform a comprehensive strategic and financial assessment and review of ITU Telecom Events was published the United Nations Global Marketplace (www.ungm.org). The appointed Firm was present in Budapest during the event. A presentation with the title “ITU Telecom events - Strategic and financial assessment” was shared at Council WG-FHR on February 2020 (ref.: S20-CWGFHR11-C-0018!!PDF-E.pdf). The scope of our report is such that no overlapping with the said presentation (and the subsequent report still under finalisation) could occur.
9. This report refers to the accounts of the ITU Telecom World 2019, for the period from 1 January 2019 to 31 December 2019. These accounts reflect the expenses and revenue for this event and

provide additional information for the ITU Council. They are not to be considered as financial statements drawn up under IPSAS, although ITU has been applying the IPSAS standards since 1 January 2010.

10. Following the shift to IPSAS, ITU Telecom World accounts are henceforth closed no later than the end of the financial year when the event is held, in order to comply with the accrual principle. Thus, the accounts for ITU Telecom World 2019 were closed on 31 December 2019.
11. This audit report is not accompanied by an audit opinion. An audit opinion is only to be issued with respect to the consolidated financial statements of the Union.
12. Our auditors visited the venue in Budapest and were present during the event, collecting evidence and documentation. They also met staff from the firm appointed for the strategic and financial assessment and review of ITU TW.
13. We carried out our audit in accordance with the International Organization of Supreme Audit Institution (INTOSAI) Fundamental Principles of Auditing, the additional terms of reference forming an integral part of the Union's Financial Regulations, and special, agreed terms that the outbreak of SARS-COV 2 forced to adopt.
14. We planned the working activities according to our audit strategy, so as to obtain a reasonable assurance that there is no material misstatement.
15. In order to evaluate the compliance with rules, resolutions, recommendations and best practices, we also collected data about the participants which were referred to in the analysis presented by ITU Telecom Management.
16. To carry out our evaluation, we considered not only financial results, but also appropriate Key Performance Indicators (KPI's).
17. We verified that the ITU Telecom World 2019 profit and loss sheet as at 31 December 2019 corresponded with the accounts submitted to us, testing on a sample basis that the entries relating to the event had been correctly made. The audit covered book-keeping, revenue and expenses and related results.
18. We discussed and clarified all the issues with the responsible officials during the audit. We have tested, on a sample basis, a number of transactions and relevant documentation and have obtained sufficient and reliable evidence in relation to the ITU Telecom World 2019 accounts.
19. On 22 May 2020, we presented our draft Audit Report to the Financial Resources Management Department and ITU Telecom Secretariat. The Report includes areas requiring improvement, as well as recommendations and suggestions to be brought to the Council's attention, in accordance with Article 19 of the ITU Financial Regulations and Financial Rules.

20. We were informed that no claim and proceedings had been formally brought against the Union within the framework of ITU Telecom World 2019; no case of fraud or presumed fraud was reported to us.

Acknowledgements

21. We would like to express our gratitude to all the ITU Staff who openly collaborated with us and who provided us with the requested relevant information and documents.

GENERAL FRAMEWORK AND KEY FIGURES

22. The result of the Event was largely positive. On the other hand, we underline that both revenue and expenses went significantly below the budgeted level, showing a shrinking of the dimension of the event that is reflected also by other KPIs.

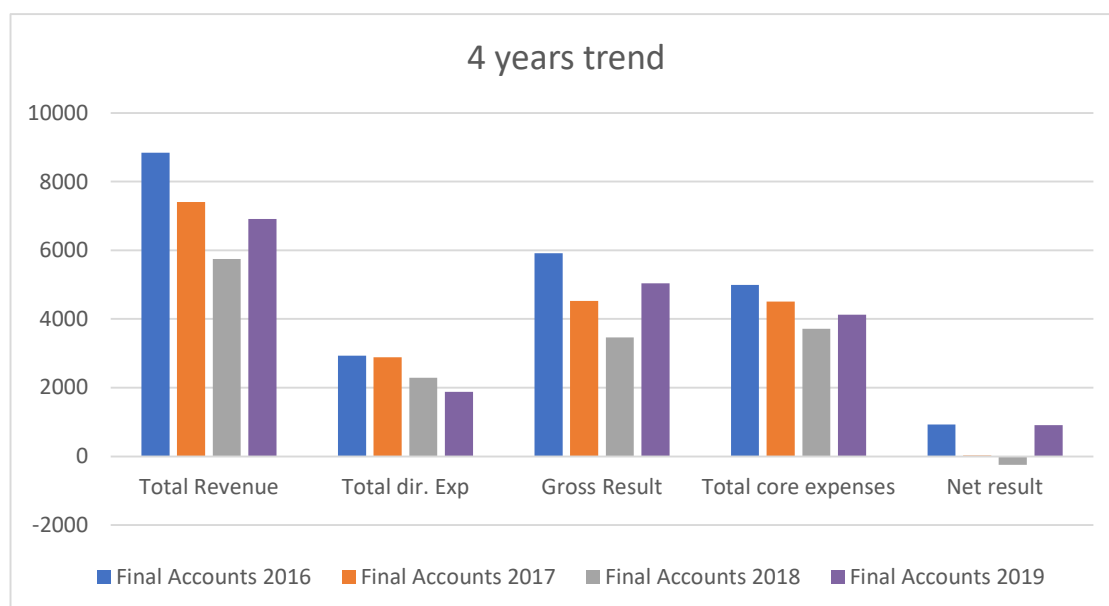
23. A comparison of last four events shows the main figures as follows.

	Final Accounts 2016	Final Accounts 2017	Final Accounts 2018	Final Accounts 2019
Revenue	8847	7411	5744	6909
Direct expenses (*)	2931	2883	2287	1872
<i>Gross Result</i>	<i>5917</i>	<i>4528</i>	<i>3457</i>	<i>5037</i>
Core expenses	4990	4505	3712	4128
Net result	927	23	-255	909

(*) Provisions included

In thousands of CHF

24. A better view of the trend is graphically offered below.



25. We consider it would of limited significance to compare 2019 with the 2018 event, since that event was realized as a special occasion (first of such events in Africa) and requested exceptional efforts, as we underlined in our report of last year. So, we focused our comparison with the 2016 and 2017 events.
26. Furthermore, a more interesting comparison could be performed with the ITU Telecom World 2015 Conference and Exhibition held in Budapest (12-15 October 2015).

Exhibition Working Capital Fund

27. In accordance with Article 19 par. 4 of the ITU Financial Regulations, any surplus revenue or excess expenses resulting from world or regional exhibitions “shall be transferred to an Exhibition Working Capital Fund” (EWCF).
28. The positive result of ITU Telecom World 2019 was reported to EWCF, which amount at 31 December 2019 totalled to 8,562,918.85 CHF, meanwhile at the end of 2018 it amounted to 7,950,442.47 CHF.

Reporting on the event: linking general objectives of Resolution 11 (rev. Dubai, 2018) with KPIs and results.

29. Resolution 11 (rev. Dubai, 2018) *resolves* 5, states “that the Secretary-General is fully accountable for ITU Telecom World activities (including planning, organization and finance)”.
30. We have analysed the various parts of the process and, at the reporting stage, we have evaluated relevant reports which provide the Secretary-General with feedback of the results, with links and comparison between KPIs and results, in the framework of the general objectives as stated in Resolution 11, as well as cost-effectiveness of the event.
31. We received from ITU Telecom management the results of an online participant survey that has been carried out using internal resources and via the ITU Telecom website software WordPress, which incurred no additional costs.
32. We acknowledge the efforts in refining the KPIs and using them to guide design and staging of ITU Telecom World events.

Bidding process

33. Resolution 11 (rev. Dubai, 2018) *resolves* 8.1, also declares that “the Union, in its venue selection process for ITU Telecom events, shall ensure an open and transparent bidding process.
34. The letter to Member States, inviting them to host the event in 2019 was the same official ITU Circular letter inviting countries to bid to host ITU Telecom World 2018, since it was combined with the invitation to host the event in 2018. It was issued on 22 December 2016 to ITU’s focal points for all the 193 Member State administrations as well as to the 178 Permanent Missions in

Geneva, giving two deadlines: 28 February 2017 for notifications of interest and 30 April 2017 for proposals.

35. On 24 February 2017 an Expression of interest to host WT19 was received from H.E. Péter Szijjártó, Minister of Foreign Affairs and Trade of Hungary. The official bid by Hungary to host the ITU Telecom World 2019 was received on 28 April 2017 via the Permanent Mission.
36. On November 2018 a Draft Host Country Agreement was established by ITU and on 1st April 2019 the Host Country Agreement was signed. Although the event budget had been signed on the earlier date of 15 March 2019, the content of the HCA had already been concluded and the delay in signing was in order to establish a mutually convenient date for a signing ceremony and press conference in Budapest.

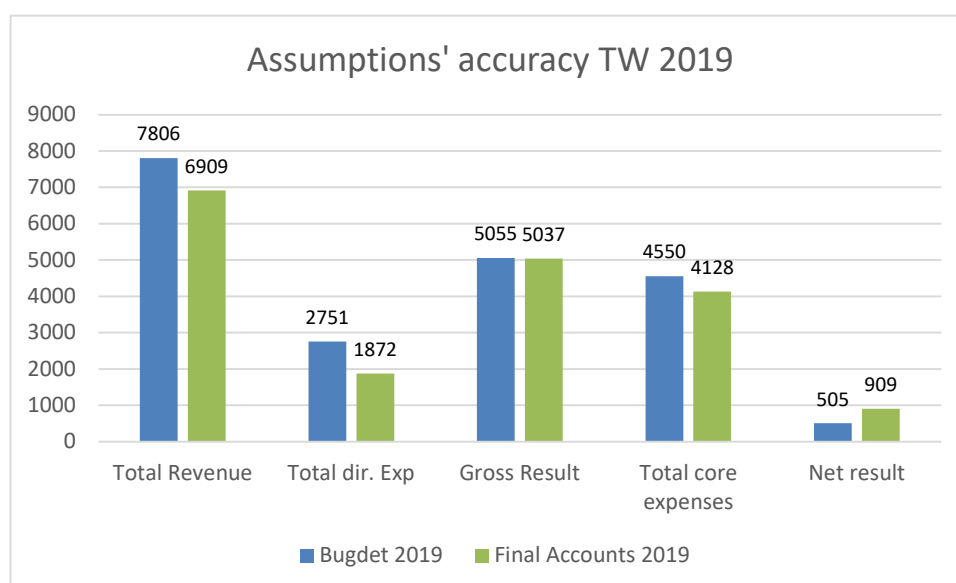
Comparison of budget and actual results

37. The ITU Telecom World 2019 budget was approved on 15 March 2019. No revision of the budget was adopted. Significant differences between budgeted and actual figure, both in the breakdown and in the total amount, with figures as follows.

	Budget 2019	Actuals 2019	Variance act/bud (%)
Revenue	7806	6909	-11,5
Direct expenses (*)	2751	1872	-32,0
<i>Gross Result</i>	5055	5037	-0,4
Core expenses	4550	4128	-9,3
Net result	505	909	80,0

In thousands of CHF

38. The following graph shows more evidently that the positive result was higher than predicted for a shrinking of the revenue and an even stronger shrinking of the expenses.



Segment reporting

39. As in previous years, a Segment Reporting (SR) table was presented among the Final Accounts, aimed to be consistent with the segment reporting in the Notes to general ITU Accounts.
40. We acknowledge the completeness of, and correctness of the breakdown in the Summary by Category for TW2019 accounts.

REVENUE

41. Revenue totalled 6.9 MCHF and were significantly lower than budgeted (7.8 MCHF) also than revenues from 2015 Event in Budapest (7.3 MCHF), without considering any variation of the currency rates. In the following paragraphs we present some analysis of the revenue.

Sponsorships and contributions

42. The revenue from Host Country was composed of a lump sum of 2'700 kCHF (including 80 kCHF for Fellowship Programme), and 154.484 kCHF for staff missions to the Host Country and freight transport for ITU equipment and materials between ITU Headquarters and the Event venue. We noted that significant savings have been made in missions due to lower airfares resulting from good ITU negotiations with airlines combined with the use of low-cost airline and the reduced mission days for most of ITU staff. Therefore, the budget for missions and freight transport of 270 kCHF was not fully utilized.
43. Sponsorship of Registration Service produced revenue equal to budget (200 kCHF)

EXHIBITION

44. A total of 3,353 m2 was sold as exhibition spaces (both as raw spaces and turnkey stands), which correspond to 1,886 kCHF. An increase respect to WT2018 (when it was 3,048 m2 of space and 1,846 kCHF as revenue) is registered. However, it represents a reduction compared to WT2017 (5,968 m2. 2,890 kCHF) and to WT2016 (3,956.5 m2, 2.123 kCHF). In Budapest 2015 the related revenues were 2,275 kCHF .
45. Compared to the budgeted 2'637 kCHF, the actual result was 28.5% lower, amounting to 1'886 kCHF. The main decrease was related to the Turnkey product, as analysed below.

Admission fees

46. Revenue from Exhibition admission fees amounted to 4,7 kCHF, a little more than last year (they were 4,3 kCHF).
47. Revenue from exhibition admission fees represent 95% of the budget. However, with the policy for admission of nationals established in the agreement with the host country and, also for Forum, a number of “free” access passes have been provided to Event Financial Contributors as part of the package they purchased. Furthermore, worthwhile of consideration are also the “Leader

passes” offered to special VIP guests as well as passes for accompanying delegations in the case of the ITU Member States.

48. We collected evidence that in previous years some effort have been made to gradually reduce these unpaid passes and encourage additional representatives to purchase their passes.
49. For a better comprehension of this issue, it would be useful to compare an example of the changing policy on passes given “in bundle” with raw space rental and turnkeys in the last four years:

	2016	2017	2018	2019
More than 50 m2 stand		2 Forum passes and 1 Forum single-day pass		
Complete 50 m2 (or less) stand	2 Forum Passes and unlimited number of Exhibition Pass	1 Forum pass and 1 Forum single-day pass	2 Forum passes	1 Forum pass.
Complete 4 m2 stand				1 personnel pass 1 exhibit. pass
Complete 3 m2 Stand	1 personnel pass	1 personnel pass 1 exhibition pass	1 personnel pass 1 exhibition pass	
SME stand/ pod/workstation	2 person. passes 2 exhibit. passes	2 person. Passes 4 exhib. passes	2 person. passes 4 exhib. passes	2 person. passes 2 exhibit. passes

50. Similar reductions of passes have been operated regarding Staff of Minister/Deputy Minister of ICT (from 4 to 3 Forum passes) and for co-exhibitors (no more unlimited exhibition passes given since 2017).
51. A new policy on free passes is likely to be included in the rethinking of the business model of the event.

Raw space

52. The revenue related to the sale of raw space showed a result (1,260 kCHF) that is 17% less than the budget (1,525 kCHF). There is a difference with respect to the unsold space (that was 14% less than the total) because of discounts that lowered the amount. No outdoor raw space was sold, although budgeted for 17.5 kCHF.

Monitoring of space rented should be enhanced.

53. During our visit on the spot of the Event’s premises, we have carried out a testing of spaces rented, based on a sample, through a new (re)measurement of spaces occupied.

54. Our testing revealed that in certain cases exhibitors occupied spaces larger than assigned, for instance occupying common spaces.
55. We immediately informed management who promptly informed exhibitors, freeing common spaces.

Recommendation no. 1

56. We therefore **recommend** Management to strengthen daily monitoring of spaces occupied during the Event, in particular, common spaces and services, inviting Exhibitors to occupy spaces in accordance with their contracts.

Comments by the Secretary-General:

Despite the recurrence of this problem we agree with the recommendation and efforts will not be spared to monitor at least twice a day to ensure that exhibitors do not use spaces around the stands that they have not rented.

An effective and flexible system for reconsidering spaces occupied during the Event

57. Following to what has been stated in the previous paragraphs, a constant daily monitoring of spaces occupied by Exhibitors is an effective tool that might result in additional revenues, especially if already inserted in the rental contracts.
58. At the same time, Exhibitors might have a benefit if specific success of their stands might result in the need of having additional extra space during the Event.
59. In order to increase the level of revenues, an adequate monitoring might end in a request for higher payments for extra surface occupied rather the normal contracted.

Recommendation no. 2

60. Considering that a daily constant monitoring of spaces occupied might end not only in an efficient development of the Event (as stated in Recommendation 1) but also in higher source of revenues, **we recommend** Management to explore the possibility to insert in the rental contracts, legal formulas that will consider flexibility that if an Exhibitor occupies, for whatever reason, spaces larger than contracted, Telecom Word might send an additional invoice to the Exhibitor.

Comments by the Secretary-General:

There is a clause in the Exhibitor Contracts and in the Annexes to the Contracts with provisions that allow us to invoice spaces that are occupied beyond the rented space. The issue will be to enforce this.

Turnkey

61. The “Turnkey Solution Packages” product shows a variance of the actual result with respect to the budget of -48%: revenue from turnkey solutions, budgeted to 1,050 kCHF, amounted to actual 544.2 kCHF. The space rented was -41% of the budget.
62. Among the turnkey solution, an outstanding unpaid amount of 13.2 kCHF is registered. Four exhibitors are among the debtors. We refer to our still outstanding recommendation on denial of services to clients that do not give at least a guarantee of payment.
63. Lower expenses, amounting to 135.9 kCHF (-69% than the forecasted 433.5 kCHF) for constructions and set-ups of turnkey stands are registered, but, notwithstanding the savings, the net result was 395 kCHF, instead of 616 kCHF budgeted.

Effective monitoring of the reason why some spaces rented were not attended by any person in charge

64. During our daily on the spot testing we noted that some stands, although prepared and ready for the Event, were not attended by any person in-charge.

Recommendation no. 3

65. In order to understand how to more effectively and efficiently expand the success of an Event, we **recommend** monitoring daily the activities developed in the various stands and, if spaces rented are not attended by anyone in-charge, building up a fast response process that might understand immediately the reasons for the lack of attendance in a specific stand and to try to help the Exhibitors to solve promptly potential problems arising during the Event.

Comments by the Secretary-General:

This recommendation is well noted and efforts will be made to understand why the stand is unattended and what would be an immediate solution.

Office suites and Digital Showcases

66. Very differently from previous event, when the “Office suites” had only one buyer, in 2019 this product was a success: the revenue from this product (74,2 kCHF) was more than the double of the budget, with a low increase of the related costs (only 12% higher).

67. An additional unforeseen cost for Office suites was incurred, concerning food and beverages, amounting to 2'632.50 CHF. Although the result is still largely positive, it seems worthwhile to note that this significant amount derives from a misunderstanding. We were not informed of this situation during our visit at the event venue.
68. While ITU intended to organize refreshments for the client at their own expense, the wording on the Office Suite application form was misinterpreted by some clients that refreshments were included in the quoted rental fee. The quality of those clients and the interest of ITU in maintaining good relations suggested to provide some basic food and beverages for all of them.

Recommendation no. 4

69. We **recommend** adopting *ad hoc* signed documents when a modification of the terms of service given to clients causes an unforeseen increase of costs.

Comments by the Secretary-General:

This recommendation is well noted. However we could rewrite the clause in the contract making it very clear to avoid misunderstanding on what is provided by ITU.

Recommendation no. 5

70. We **recommend** carefully checking the wording of the agreements to avoid future similar misunderstanding.

Comments by the Secretary-General:

This is noted.

71. We collect a breakdown per client of the F&B costs. The higher amount (1'488 CHF) is related to refreshments for the three Offices for Huawei. We consider that this client paid 42.800 CHF, that is more than half of the revenue for Office Suites. Therefore, although we could not find direct evidence of the actual cost of the catering that could be negotiated on site, we accept the explanations of Management about the increase in cost for this service.

FORUM

72. Actual total revenue from the Forum (714.1 kCHF) was 42% higher than budgeted (502 kCHF), but in line with the result of previous events (706.4 KCHF in 2018, for instance). The various items

had very different results. For this event, the revenue from Forum admission fee represents 27% of total Forum revenue, while the item Partner/co-hosted session represents 42,3%.

73. Categories of passes were Executive and Forum. The quantity of the sold ones was respectively 40 and 125. Financially, the categories produced revenue respectively for 89 and 103 kCHF. Despite the good result (+37% respect to the budget), we note a sharp decrease of paying participants (165) to the Forum with respect to 2018 (they were 407). Paying participants are in 2019 only 8% of the total. See par. 46-50 for a specific analysis
74. A substitution of products was operated since no Opening Keynote sponsorship was sold but a Forum Summit Keynote sponsorship instead was proposed successfully to the clients. We understood that for an unforeseen decision taken by ITU management, no speaking opportunities at the Opening Ceremony for the 2019 Event should be offered to the sponsors. Although a partially effective remedy was found, we consider a risky attitude to adopt such decision at a late stage of the preparation of the Event, changing consequently the product offer.

Suggestion no. 1

75. We **suggest** avoiding late changes in the program that could affect the selling of sponsorships or of other products

Comments by the Secretary-General:

ITU takes note of this recommendation. Unfortunately for the 2019 event the challenge was linked to national protocol policies, which defined the change introduced.

76. Partner/Cohosted session was largely the most significant item for Forum revenue which was more than the double the budget. It is due to the fact that three sessions partnership were sold, instead of one.

Suggestion no. 2

77. Since this model seems to be successful, we **suggest** promoting more of the same kind, within the renewal of the Event business model

Comments by the Secretary-General:

This is well noted.

Special Programmes

78. In 2019 budgeted Special Programmes were Leadership P., Networking P., Celebration Activities and Entrepreneurship Initiatives.
79. For the Special Programmes considered as a whole, actual revenue (373 kCHF) were 19.3% lower than budgeted (462 kCHF).

Leadership Programme

80. This programme shows increased revenue respect to the budget because of the presence of more sponsors than foreseen for the Leader Space Happy Hour, that allowed to reach an amount that was three times the budget (36 kCHF instead of 12 kCHF); Leaders Lunch also had an higher result of sponsorship: 160 kCHF instead of 150 kCHF.
81. It is reasonable that the expenses for the Leader Space Happy Hour had to increase due to the increased sponsorship sales. However, it is noted that these expenses doubled while the revenue tripled, indicating that savings been made in the estimated expenses for each Happy Hour. Overall, the financial result of this programme is largely positive since no construction or set-up expenses occurred, while foreseen for an amount of 5 kCHF, and some other savings were realized with regard to Lunch costs.
82. While this programme faced in an unpredicted negative result in 2018, the 2019 edition achieved a positive financial result higher for a +32% respect to the budget (167738 CHF actual against 127.500 budgeted). A comparation with last TW in Budapest (2015) underline the good result, since at that time no actual revenue (against 600 kCHF budgeted) from Leadership Programme was registered, although four different items were available for sponsorship (namely, the Programme in itself, the dinner, the space with refreshments and the lunch).

Networking Programme

83. The positive result of this programme (actual 136 kCHF instead of budgeted 83), is due to a successful change of product respect to the previous edition and also respect to the budget (a Cocktail Reception sponsorship was added). Pavillion Spotlight Cocktail produced almost three time the budgeted revenue.
84. On the other hand, some of the programme expenses exceeded the budget. In particular, Panel Lunch cost doubled. Although largely covered by revenue, such incorrect forecast should be maintained under close attention.

Entrepreneurship Initiatives

85. Again, similarly to previous event, the initiatives (Innovation Partner and SME programme) received no sponsorship, thus no revenue was produced, although budgeted for 100 kCHF. Savings have been realized in the related expenses (39 kCHF actual, compared with 86 kCHF budgeted), corresponding to the negative result.

Suggestion no. 3

86. We **suggest** rethinking this kind of product, within the renewal of the Event business model

Comments by the Secretary-General:

The suggestion is well noted. This product will be modified for 2021 to better meet client needs and revenue expectation will be adjusted accordingly.

Celebration activities

87. Neither revenue nor expenses are registered in relation with these activities. A partial coverage of the relates need were faced through the Cocktail Reception inserted among the Networking programme activities.
88. No announcement of the next venue of the event was possible. It has to be seen as a loss of good opportunities for raising funds. We recall the comment by the Secretary-General to a recommendation we issued in past reports, assuring that thanks to the advance planning of the future event, these opportunities will be considered. We draw the attention of Management on this commitment.

Barters value

89. Value of barters was 880 kCHF. lower than before (1,076 kCHF in 2018, 1,052 kCHF in 2017). In 2019, 34 companies agreed for barters; they were 40 in 2018. For four (4) of such Companies, the value is zero.

Recommendation no. 6

90. We **recommend** adopting formal decisions about the treatment, in the specific event and in future ones, of barter partners that faulted in giving the services specified in their agreement.

Comments by the Secretary-General:

The Recommendation is noted. Telecom shall adopt a formal decision and reinforce this in future barter agreements.

91. A control of the services actually given by barter partners was carried out, for each one of the 34 agreed barterers. We checked a sample of the files completed with screenshots of the web pages dedicated and copies of the articles published, getting evidence of acceptable accuracy.

Outstanding revenues

92. At 31.12.2019 six (6) debtors were registered, for an outstanding invoiced amount of 61.6 kCHF. The unpaid invoices have been provisioned for that amount.

Suggestion no. 4

93. We **suggest** enhancing the tables related to debtors, specifying in a more detailed way the product that was bought and still to be paid, for a better focus of the effort in avoiding such situations.

Comments by the Secretary-General:

The table relating to debtors will include each product corresponding to the company from which payment remains outstanding.

94. In our last report we recommended strengthening the action of soliciting payments adding to the procedure the sending of the first letter of reminder one month **before** the event, and suggested to consider the possibility of denying the provision of space, turnkey or sponsorship visibility to the debtors that did not answer to a reminder sent before the event or who had not paid within the given deadline. A decrease of these outstanding amounts was registered

95. At this regard, we collected a list of debtors still outstanding with reference also to past edition of the event. See following table.

EVENT	2015 Budapest	2016 Bangkok	2017 Busan	2018 Durban	2019 Budapest
Outstanding year-end	132,400.00	206,700.00	290,650.00	223,800.00	61,600.00
Recovered eventually	130,000.00	114,300.00	147,298.89	190,000.00	0
Still outstanding	2,400.00	92,400.00	143,351.11	33,800.00	61,600.00

96. Although a lower amount was the one still outstanding at the end of 2019 for the 2019 event, we note a non-effective action in recovering amounts referred to past events. We recall our ongoing recommendation on such issues.

EXPENSES

Core Expenses

ITU Cost recovery

97. A fixed amount of 1,5 MCHF was charged as ITU cost recovery (part of core expense) as in the budget, which represented the salaries and remunerations of staff from other departments providing services to ITU Telecom World 2019. In the previous event, the amount of ITU Cost Recovery was 1 MCHF.
98. No comparison is possible with the last event (ITU TW 2018 Durban) because of the exceptionally low level of that amount (lower than ever) of Cost Recovery which was decided by the Secretary-General taking in consideration the necessity of reducing the costs of the event facing a critical diminishing of revenue.

TLC Secretariat

99. In accordance with the current working methodology, the ITU Telecom Secretariat costs are allocated to each ITU Telecom event in relation with the service time dedicated by the staff to it. The actual cost of ITU Telecom Secretariat (core expense) which was charged to ITU Telecom World 2019 amounts to 2'628 kCHF (budget 3'050 kCHF (it was 2,712 kCHF in WT 2018 and 3,005 kCHF in WT 2017)). Although it is 14% less than the budgeted amount, we highlight its relevance on the total expenses, but also the efforts of containing it in last years' events.

FRMD

100. While the favourable exchange rate, related to some payment received, generated a small revenue (552.33 CHF), a more relevant loss was the result of the exchange rate fluctuation (3'548.49 CHF).
101. On the other hand, Managements succeeded in spending only 35% of the budget for bank charges and credit card commissions: actual 6'369 CHF compared to budget of 18'000 CHF.

Direct expenses

101. Direct expenses were 1'872 kCHF, 32% lower than the budgeted amount (that was 2,751 kCHF). We acknowledge the valuable efforts performed by Management in significantly reducing such expenses.

Sales Agencies or Promotion partners

102. In our previous report we underlined the heaviness of the finder fee rates conceded to the promotion partners: a fee of 30% or 15% of the amount actually received by ITU for individual contracts was recognized in 2018 to the Sales Agencies, the first for "new" contact, the second for

returning contact. In 2019 event the rate was reduced respectively to 25% and 10%. The total amount paid was more than 99 kCHF, with an increase respect to WT 2018 (79.4 kCHF for finder fees).

103. For reasons of transparency and accountability, given the nature of partners of these subjects and the service provided by them, we also underlined that the entities recognized as eligible promotion partners should be selected through a vetting procedure, following the rules of Procurements, as applicable.

Recommendation no. 7

104. Since the position of some subject as ITU Partner, as Forum participant and as promotion partner in order to minimize the risk of conflict of interest, we **recommend** avoiding such overlapping of roles given to the same person, company or authority

Comments by the Secretary-General:

Telecom Secretariat will study carefully functions and business scope of related entities and implement this recommendation on a case by case basis.

Telecom Media Services

105. No sponsorship or other revenue related to this activity was budgeted or actually sold. Among its expenses, savings were made for video services and Media Space refreshment. Since HC assured the construction and/or set-up of Media Space and TV studio in HC agreement, 8 kCHF were budgeted only in case some enhancement might be needed, which did not occur. Savings for 8.8 kCHF were realized.

ICT equipment

106. A forecast of a small amount (2 kCHF) for ICT equipment rental & services was made as contingent but remained unutilized.

KPI AND PARTICIPANT ANALYSIS

107. As it was the case in the past years Event, demographic detections and other detections, including the customer satisfaction, were completed through a “Participants analysis”.

108. The total number of participants, 3760, is on the same level of the last event, since they were 3,534 in 2018, but this is a consolidation of a critical decrease compared to the previous years (9,112 participants in 2017, 8,764 in 2016). They were from 125 countries. A large majority (65%) of

participants were from Europe. The main presence from the same continent as the one of the venue was a constant (77 % from Africa in Durban, 91% from Asia in Busan). We recall our suggestions in previous report about a better fulfilment of the global dimension.

Gender issue

109. Gender distribution for participants is back to the usual highly unbalanced situation. F/M = 26/74 after a small improvement in 2018 (F/M = 31/69; it was 24/76 in 2017 and 35/65 in 2016). Whilst acknowledging the efforts made, this issue has to be still kept under observation in next editions of the event. We already pointed out the importance of this issue in our Suggestion 7/2016, and we integrally recall it.

Global dimension

110. Participants from 125 countries were registered, more than in 2018 (96), and in 2017 (103 countries), and slightly fewer than in 2016 (128 countries).

111. As in every past edition, the regional breakdown shows an unbalanced distribution of participants, with a majority (65%) of provenience from the same continent of the venue. In Budapest 2015 the European quota was at 58%.

Event App

112. The event app for mobile registered 885 active users, with a continuous decrease in the last three years (they were 1342 in 2017 and 940 in 2018). Accordingly, the posts on the app from users have been only 391 (they were 1155 in 2017 and 704 in 2018). It is realistic to hypothesize that a more diffused use of their own social media accounts from everyone of participants caused lesser interest in a dedicated app.

Suggestion no. 5

113. We **suggest** considering increasing the integration of networking activity of participants with the most common social media instead of investing in a dedicated, separate app.

Comments by the Secretary-General:

This Suggestion is noted. The Networking App has functionalities that a social media platform does not allow, such as Programme, Speaker and Exhibition listing as well as a virtual Floorplan, to name just a few features. As we move towards total paperless events, these features are necessary. In addition, an Event App is expected by participants at a tech event. It must be noted that this year for the first year, the App was on an Opt-in basis in order to comply fully with GDPR. Telecom expected a lower uptake of the App due to the Opt-in feature. Telecom advises to maintain an event App and will reinforce the App promotion for 2021.

Feedback from participants

114. As in previous editions, the efforts to obtain a useful feedback from participants had to find a solution for the scarce percentage of answers. An online participant survey was disseminated during the event and the link could be accessed until the beginning of October 2019. Water bottles were provided as a survey incentive for the first 50 survey participants. The survey was set up via the ITU Telecom website software WordPress, which incurred no additional costs. The survey reached 12% response rate, so the proportion of gathered feedback was higher compared to the three previous years (2018: 7%, 2017: 4%, 2016: 5%).

FOLLOW UP TO OUR RECOMMENDATIONS AND SUGGESTIONS

115. We followed up the implementation of the recommendations and suggestions issued in our previous reports. Annex 1 shows the follow-up tables, which include the comments received from ITU Management and the current status of implementation.

116. The recommendations that are evaluated as “closed” this year will not be included again in next year’s Audit Report, unless they need an annual follow-up.

Annex to TW19 External Audit Report

	Recommendation made by External Auditor (Corte dei conti)	Comments received from the Secretary-General at the time of issuance of the External Auditor's Report	Status as reported by ITU Management	Status on actions taken by Management as evaluated by Italian Corte dei conti
Rec. 1/2018	We recommend reopening the terms and to extend the deadline of the bid to all Member States when the situation requires, so that the same level of information is provided, in compliance with the principle of transparency.	All Member States will be duly informed in the future if the bidding process remains open, and proposals may still be submitted to ITU, after the published deadline has been reached.	Following a circular letter to all Member States no formal bids were received to host ITU Telecom World 2021 and/or 2022. In accordance with the recommendation, a new circular letter was issued to all Member States advising of them of an extension to submit an offer. This practice will continue to be given every attention.	Closed
Rec. 2/2018	We recommend strengthening the action of soliciting payments adding to the procedure the sending of the first letter of reminder one month before the event.	An improved policy and procedure will be established and implemented with regard to the timely solicitation and follow up of payments to ensure compliance before the event. As agreed between ITU Telecom and FRMD, the first letter of reminder to debtors will be sent one month prior to the event provided the initial invoicing process has already taken place.	The first written reminder has been sent to debtors one month prior to the 2019 event. Three (3) other reminders (letters) have been sent, as appropriate. This procedure will be continued for future events. ITU Telecom Secretariat and FRMD are continuing their efforts and working closely together in chasing debtors in order to receive the outstanding payments.	Closed

	Recommendation made by External Auditor (Corte dei conti)	Comments received from the Secretary-General at the time of issuance of the External Auditor's Report	Status as reported by ITU Management	Status on actions taken by Management as evaluated by Italian Corte dei conti
Rec. 3/2018	We recommend to adopt established and sound criteria in the selection of promotion partners.	Promotion Partners are currently selected on the basis of market research and demonstrated involvement in similar roles for other reputable exhibitions/conferences in their region of activity. Notwithstanding, a selection process with qualifying criteria will be established and applied, ensuring full transparency in the appointment of promotion partners for future events, taking into account any applicable procurement guidelines.	ITU Telecom Secretariat is establishing a selection process and qualifying criteria for the 2021 event and working closely with the ITU Procurement and Ethics offices to ensure transparency and compliance with the established guidelines and procedures.	On-going

	Recommendation made by External Auditor (Corte dei conti)	Comments received from the Secretary-General at the time of issuance of the External Auditor's Report	Status as reported by ITU Management	Status on actions taken by Management as evaluated by Italian Corte dei conti
Rec 5/2017	Despite some efforts made, unsatisfactory result was achieved in balancing the gender distribution of participants, both in forum and in exhibition. We therefore recommend enhancing the efforts to tackle this issue.	Further analysis will be undertaken to understand the difference in the gender distribution comparing the 2016 and 2017 events. Notwithstanding, measures that aim to improve the balance will be explored and implemented.	For the 2019 event, ITU Telecom Secretariat continued its action of 2018. Results show a drop in female participation overall compared to 2018, however a 1% increase compared to 2015 when the event was held in the same location; and female speakers increased by a further 8% compared to 2018. New initiatives included provision of fellowships to promote the participation of women-owned business and benefited 24 applicants from 14 countries. ITU Telecom Secretariat will continue its efforts to proactively work to achieve gender balance.	On-going

Suggestions

	Suggestion raised by Italian Corte dei conti	Comments received from Secretary-General at the time of the issuance of the report	Status as reported by ITU Management	Status on actions taken by Management as evaluated by Italian Corte dei conti
Sugg. 1 2018	We suggest that in the revenue assumptions for the budget and more rigorously in a revised budget, the agreements signed as well as the ongoing negotiations and their financial implications, should be taken into account	Close attention will continue to be given when establishing revenue assumptions for the event budget based on available information and careful market analysis. Probability of achieving revenue based on ongoing negotiations will be carefully considered, particularly during any budget revision process.	Close attention will continue to be given to this issue when establishing revenue assumptions for budget.	On-going
Sugg. 2 2018	We suggest considering as a normal period for the signature of a Host Country Agreement six months before the opening of the event, and to make an effort to respect this term	All efforts will continue to be made to reach successful conclusion of negotiations with the Member State Administration in order to sign the Host Country Agreement six months before the opening of an event.	Every effort in this regard will continue.	Closed

<p>Sugg. 3 2018</p>	<p>We suggest to consider the possibility of denying the provision of space, turnkey or sponsorship visibility to the debtors that did not answer to a reminder sent before the event or who have not paid within the given deadline.</p>	<p>The provision of goods/services/benefits will be carefully considered within the context of the policy referred to under Recommendation 2.</p>	<p>Telecom Account Managers continue to chase outstanding payments for space, turnkey and sponsorship contracts bearing in mind the deadline established by Telecom in consultation with suppliers in ordering the relevant goods/services, as well as the provision of benefits to the client. The list of debtors is regularly updated by FRMD and accessible to Telecom staff. FRMD continues to send the first written reminder to debtors one month prior to the event (Rec.2/2018). Telecom continues to review the importance of the client to ITU's business and the probability that payment will be made as per past events, based on which it decides whether space, turnkey and sponsorship visibility will be provided. Close collaboration between Telecom and FRMD in recovering the outstanding payments will be continued.</p>	<p>Closed</p>
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	Suggestion raised by Italian Corte dei conti	Comments received from Secretary-General at the time of the issuance of the report	Status as reported by ITU Management	Status on actions taken by Management as evaluated by Italian Corte dei conti
Sugg. 5 2017	We suggest adding a table, annexed to the Accounts, with clear connection between revenue obtained through Promotion Partners and the cost of "finder fees".	A table will be annexed to the "Accounts" showing the finder fees paid to each Promotion Partner and the corresponding revenue earned for each product.	<p>A table has been provided to the External Auditor showing the fees paid for each Promotion Partner and the corresponding revenue earned for each product. A similar table will be annexed to the "Accounts" for the 2019 event.</p> <p>Updated at May 2020:</p> <p>The required table has been provided to the External Auditor. Such table will be consolidated as part of the "Accounts" document for the next event.</p>	On-going