

Agenda item: ADM 15

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## **Note by the Secretary-General**

### REPORT OF THE INTERNAL AUDITOR ON INTERNAL AUDIT ACTIVITIES

#### **Summary**

This report covers the internal audit activities for the period between April 2013 and February 2014.

#### **Action required**

This report is transmitted to the Council for **discussion**.

#### **Reference**

*ITU Financial Regulations and Rules (2010), Article 29*

## **Introduction**

1. This report is transmitted to the Council and responds to Article 29 of the Financial Regulations (2010). In accordance with the ITU Internal Audit charter<sup>1</sup>, this report was submitted to the Secretary-General and to the Independent Management Advisory Committee (IMAC), before being submitted and presented to Council for discussion. The current report covers activities from the period between April 2013 and February 2014.

2. The Internal Audit Unit comprises two professional staff – a P.5 (Head of the Unit) and a P.3 (Internal Auditor), as well as a general service staff (Audit Assistant).

## **Orientation and scope of the internal audit activities**

3. The orientation of the audit work was mainly towards the areas of assurance engagements and/or performance audits. Some ad hoc internal consulting was also performed. The scope encompassed the review of documents and structures/charts, the analysis of activities conducted, an assessment of the related processes and procedures, and the evaluation of compliance. All audits planned and taken forward were finalized on time, with the issuance of final reports including the comments of the managers concerned.

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<sup>1</sup> Service Order 13/09, adopted by the Secretary-General on 27 June 2013.

4. Internal Audit confirms that it conducts its audits in accordance with the International Standards for the Professional Practice of Internal Auditing and the Code of Ethics established by the Institute of Internal Auditors<sup>2</sup>, as well as with the provisions of the ITU Internal Audit Charter<sup>3</sup>. In addition, Internal Audit confirms that, for the period reported on, its staff had no managerial authority over, nor responsibility for, any of the activities audited and did not perform accounting or operational functions within ITU.

## **Assurance Engagements**

5. The objectives of the assurance engagements were to assess the internal controls in place, to review the adequacy of the applicable regulations and rules, to verify the compliance of selected transactions with applicable policies and procedures, and to assess whether the activities under review were in line with the principles of efficient, effective and economical use of the Union's resources. The priority of the recommendations resulting from the audit work is classified according to the impact and likelihood of the deficiency (critical, high, medium, low).

6. Internal Audit systematically shares copies of internal audit reports with the ITU External Auditor and the Independent Management Advisory Committee (IMAC). In accordance with ITU Financial Regulation 29.5, final internal audit reports can, upon written request to the Secretary-General, be made available to Member States or their designated representatives. During the period reported on, no requests were received.

7. The results of the audit work for the period reported on indicated that internal controls, policies and procedures were generally established and functioning but needed improvement in certain areas. Recommendations made to management are being actioned, with the support of the Secretary-General, and this will further strengthen ITU to fulfil its mandate.

The following assurance engagements have been conducted:

### **A. Audit of the Asia-Pacific Regional (ASP RO/BKK) and Area (ASP AO/JKT) Offices**

8. The scope of the audit encompassed the review of the host country agreements and of the organizational structure of the ASP offices, the analysis of the activities conducted by the ASP offices, an assessment of the related processes and procedures, in view of optimization and simplification, and the evaluation of compliance of ASP offices' practices with security and staff safety regulations. The time period covered was from 2009 into part of 2012. Although the majority of the audit work has been conducted at – and from – ITU Headquarters (ITU/HQ), where most of the administrative documentation is kept, Internal Audit conducted a field visit to the Area office ASP/AO/JKT in Jakarta from 12 to 14 December 2012 and to the Regional Office ASP/RO/BKK in Bangkok, from 17 to 20 December 2012. The finalization of the audit work took place in 2013.

9. The most important issues, directly related to the ASP, that Internal Audit encountered are:

- Insurances

Internal Audit recommended that adequate insurance coverage be provided to ASP staff and premises, including third party civil liability and fire/theft/damage of offices and assets (in case it is not covered by the hosting organization's insurances);

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<sup>2</sup> Institute of Internal Auditors, [www.theiia.org](http://www.theiia.org).

<sup>3</sup> Service Order 13/09, adopted by the Secretary-General on 27 June 2013.

- Banking arrangements

Internal Audit recommended that Professional staff from the ASP RO/BKK and/or the ASP AO/JKT be included in the lists of Bank signatories for any cash payment instruction above 5'000 CHF (in order to comply with Article 16.1.2) of ITU Financial Regulations and Rules);

BDT and Financial Resources Management Department (FRMD) Management remedied these issues by subscribing the necessary insurance policies and reviewing banking arrangements for all regional and area offices.

## **B. Audit of the Commonwealth of Independent States (CIS/AO) Area Office**

10. The scope of the audit encompassed the same areas as those defined for the audit of the ASP Regional and Area Office. Internal Audit conducted a field visit to the Area office in Moscow from 27 to 29 May 2013.

11. Internal Audit found that the presence of CIS/AO is supported by a sound host country agreement and that many processes function adequately. The audit revealed, however, issues related to insurance and banking/cash arrangements. With respect to project management, the recommendation for inviting the participants of events/activities organized by the Area Office to complete Customer Satisfaction Surveys (CSS) was well received by the manager concerned.

BDT and FRMD Management remedied these issues by subscribing the necessary insurance policies and reviewing banking/cash arrangements for all regional and area offices.

## **C. Audit of the Americas Regional and Area Offices**

12. The scope of the audit encompassed the same areas as those defined for the audit of the ASP Offices. Internal Audit conducted field visits to the AMS Offices as follows:

- AMS/RO/BSB (Brasilia, Brazil), from 3 to 6 September 2013;
- AMS/AO/STL (Santiago de Chile, Chile), from 9 to 11 September 2013;
- AMS/AO/TGU (Tegucigalpa, Honduras), from 2 to 4 October 2013;
- AMS/AO/BGI (Bridgetown, Barbados), from 7 to 9 October 2013.

13. Internal Audit noted that there was significant assurance in relation to general implementation of actions and projects in the region, inventories and assets. Depending on the Office concerned, there was however room for improvement mainly in the areas of safety and security, bank and cash management (for which ITU/HQ – in coordination with the RO/AO – has already addressed the issues), internal and external communication.

BDT and FRMD Management remedied these issues by subscribing the necessary insurance policies and reviewing banking arrangements for all regional and area offices. The Head of the ITU Protocol and Security Division (SPM/PSD) at ITU Headquarters has also been informed of the findings to take action.

## Follow-up of internal audit recommendations

14. Throughout the period reported on, and in compliance with IIA<sup>4</sup> Standard 2500, Internal Audit continued to follow up on recommendations made in previous audit reports. Substantial progress was noted over the last 12 months and statistics on the implementation are:

Year	2008	2009	2010	2011	2012	2013	2014 (*)	Total
Number of audit reports	1	2	3	2	0	4	0	12
Recommendations - Total	10	13	21	17	-	113	0	174
In Progress	0	2	0	0	-	45	0	47
Delayed	0	0	1	10	-	15	0	26
Closed	10	11	20	7	-	53	0	101
% of recommendations Delayed	0%	0%	5%	59%	-	13%	0%	58%
% of recommendations Closed	100%	85%	95%	41%	-	47%	0%	15%

(\*) situation on 11 February 2014

15. The main delayed implementation of recommendations concern the audit of costing of ITU publications (conducted in 2011) because of additional analyses being carried out at various levels in the secretariat. In 2014, Internal Audit continues to monitor the implementation of the various recommendations contained in previous audit reports and will report on this follow-up, as appropriate, to the Secretary-General.

## Audit methodology related aspects

16. In 2013 Internal Audit started using *Audit Effectiveness Questionnaires* which were sent to the audited processes' and entities' managers, to assess the effectiveness of the audit work and identify room for improvement. In general the feedback was positive (average note of 4, on a scale from 1 to 5); some remarks on the timing/planning aspects of audit engagements were sometimes noted and will be taken into account for future assignments. When drawing up the 2014 audit plan, Internal Audit consulted with concerned managers to optimize timing.

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<sup>4</sup> Institute of Internal Auditors, [www.theiia.org](http://www.theiia.org).