

Summary Report of the 15th meeting

Present: Dr. Beate Degen (Chair) (on 11-12 October), Mr. Abdessalam El Harouchy, Mr. Graham Miller, Ms. Aline Vienneau, Mr. Kamlesh Vikamsey.

1 Introduction

- 1.1 The fifteenth IMAC meeting was held from 10 to 12 October 2016. In addition to its discussions with ITU officials about relevant topics, the Committee met with the Secretary-General and the Deputy Secretary-General of ITU.
- 1.2 In this summary report the terms IMAC and Committee are used interchangeably.

2 Feedback and follow-up from the 2016 Session of Council

- 2.1 IMAC reviewed the Report of the ADM Committee of Council on IMAC and discussed the issues arising:
- 2.2 While IMAC takes note of the Secretariat's desire to discuss IMAC's Annual Report in draft prior to finalization, at the same time, there are considerable pressures from the translation and distribution timetable for Council that makes this very difficult to achieve. It is also important for IMAC to retain the integrity of the independent judgments, conclusions and advice being provided for the benefit of the Council.
- 2.3 IMAC Annual Reports draw on a number of earlier observations and reports of meetings which are already known to the Secretariat; and all IMAC meetings include exit sessions with top management to provide feedback on the Committee's coverage and emerging conclusions. In the case of the last ADM Committee meeting during the 2016 Session of Council, the timeframe has been too short to discuss the latest recommendations from IMAC's May meeting.
- 2.4 Nevertheless, wherever possible, IMAC will seek to share its Annual Report findings with the Secretary-General prior to finalization so far as the Council timetables permit; and IMAC would be more than happy at its closing sessions for the Secretary-General/Deputy Secretary-General to be accompanied by other key senior staff from the Secretariat as appropriate.
- 2.5 In relation to enhancing communication and understanding for ITU governing body members, IMAC would be open to seeking opportunities for periodic informal discussions with Member States groups around its meetings, if requested.

3 Financial Management

- 3.1 IMAC received a briefing from the Chief of the Financial Resources Management Department on the current financial management matters.

- 3.2 Mr. Ba informed IMAC on the progress on the elaboration of the draft Budget for 2018-2019, which IMAC will discuss at its next meeting. The organization expects to have a balanced budget by the end of January.
- 3.3 The Committee noted and reviewed draft Terms of Reference for the actuarial valuation of after-service health insurance (ASHI), the actuarial valuation of the separation benefit and the health insurance scheme for ITU being taken forward by ITU. IMAC will review progress at its future meetings.
- 3.4 IMAC also examined in detail the new procedures being applied internally to support the Secretary-General's certification of the annual Statement of Internal Control. The Committee noted that there are now appropriate and useful procedures in place for explicit assurance to be obtained through certifications by Senior Manager throughout ITU, including the Bureaux and the General Secretariat.
- 3.5 IMAC discussed with ITU management the ramifications of staff separation and retirements in the context of strategic and operational implications for the organization when freezing a certain number of posts. The Committee was informed of the ongoing early separation package offering being discussed. The Secretariat expected to finalize arrangements by the end of October.
- 3.6 The Committee inquired about the status of the guarantee fund with the ILO where a number of issues still needed to be resolved. IMAC asked to be provided with more information on the progress of the separation of the fund from the ILO at its next meeting.

4 Risk Management

- 4.1 IMAC was briefed by the Strategic Planning and Membership department on the elaboration of the draft ITU risk management policy, which responded to previous recommendations and advice provided by the Committee. IMAC reviewed the early drafting of a risk management policy for ITU and reviewed how this was being taken forward, progress on which had been commendable.
- 4.2 The Committee discussed the importance of highlighting strategic rather than just operational risks and, in due course, the promotion of the policy with internal and external parties.
- 4.3 IMAC offered advice on some specific elements of the emerging policy, for example the need to ensure that concepts such as the transfer of risks should not alter the responsibilities of risk owners, and that the review and management of risks, including strategic risks, should be integrated in the business process operations of ITU rather than being treated as a periodic exercise for strategic planning purposes. IMAC also highlighted the need for risk owners to be fully and effectively accountable for the management of the risks for which they are responsible.
- 4.4 IMAC welcomed the progress being made and will monitor future developments as a part of its routine agenda. IMAC also looks forward to being engaged in the elaboration of a Risk Appetite Statement for ITU and having the opportunity to provide comments on the draft Statement as it is developed.

5 ITU HQ premises construction project

- 5.1 IMAC received a briefing on how the HQ premises construction project is being taken forward following the 2016 Session of the Council. Necessary steps for initial funding from the Swiss Government had been taken and the process is progressing according to the provisions of Decision 588 of Council 2016. The issue of a management and governance structure for this major project has been defined (Council Doc. C16/107), while an ITU - Host Country Liaison Committee is being set-up.
- 5.2 IMAC stressed the importance of ensuring that a proper governance structure, including risk management and controls, is established as soon as possible. IMAC intends to monitor future developments, in particular to confirm that all relevant major risks are identified and appropriately addressed, for example in relation to financing and political considerations.

- 5.3 IMAC was pleased that this major project is being taken forward promptly and asked to be kept informed of future progress.

6 Update on ITU's field operations and oversight of field activities

- 6.1 IMAC had previously raised the issue of the management and oversight of field activities in the light of various audit reports issued by Internal Audit. The Committee has been concerned to understand how (and how effectively) field operations are managed in terms of compliance with regulatory and internal control requirements.
- 6.2 IMAC received a briefing from the Deputy to the Director of the Telecommunication Development Bureaux (BDT), Mr. Yushi Torigoe, on the management of field operations in relation to enhanced management measures being taken to reinforce internal controls and respond to Internal Audit recommendations. These measures include regular meetings between the BDT Director and Regional Directors to address management and operational issues.
- 6.3 IMAC intends to monitor the extent to which progress is made in achieving greater consistency in management practice and compliance with ITU rules, regulations and procedures in field offices.
- 6.4 IMAC suggest that ITU should now consider whether more effective arrangements are needed to provide appropriate management oversight of practices in the field without reliance on Internal Audit to raise issues.

7 Internal Audit

- 7.1 IMAC reviewed the position on Internal Audit activity, its status report, the follow-up register and audit planning methodology which will be applied to the 2017 audit plan (not yet received by IMAC).
- 7.2 In relation to the delivery of Internal Audit planned activities for 2016, IMAC noted that the unit had faced challenges due to staff sickness and other factors; that there had been a number of budget overruns in terms of the resources used to complete an audit, and some audits had been delayed.
- 7.3 IMAC reviewed the status of management progress in implementing Internal Audit recommendations and noted that, while progress had been made, in IMAC's view, management responsiveness could still be improved. For example, in October 2016, some 26% of IA recommendations from 2014 remained in progress or delayed, and 18% of recommendations from 2011 were still delayed.
- 7.4 IMAC asked Internal Audit to provide in future some quantitative analysis of the time taken for recommendations to be implemented, year on year, particularly since all the recommendations are agreed and IMAC is unable to see why in a number of cases management has taken so long to progress the implementation of agreed recommendations.
- 7.5 IMAC encourages senior management to ensure that recommendations, once agreed are implemented without unnecessary delay; and recommends that management agreed on deadlines for implementation with Internal Audit as a routine part of the procedures. Most recommendations could have an indicative deadline against which management, internal audit and IMAC could review progress. Senior management might also consider establishing improved arrangements to achieve more timely implementation of Internal Audit recommendations, such as through the Inter-Sectoral Coordination Task Force.
- 7.6 The Head of Internal Audit briefed IMAC on his participation for ITU in a benchmarking exercise carried out by the Institute of Internal Auditors in 2015 and 2016. This exercise analysed comparisons between the Internal Audit functions of a number of UN organizations, as well as Government and Public sectors, using a survey tool called GAIN (the Global Audit Information Network). This benchmarking tool allows Internal Audit departments to be compared in relation to organizational factors, staffing and performance.

- 7.7 IMAC was pleased that ITU participated in this exercise, which was particularly useful in looking at the comparative performance of ITU to indicate areas which might be improved, such as longer-term and cyclical audit planning beyond one year. Both IMAC and External Audit had previously recommended that Internal Audit adopt a multi-year audit plan, including a rolling cycle based on a risk assessment exercise.
- 7.8 IMAC was briefed in more detail on the risk assessment methodology on which the Internal Audit plans are based and noted the degree of detail and analysis that is available to support the annual planning. The Committee looked forward to receiving this information to support the awaited draft plan for 2017.
- 7.9 IMAC also inquired about the proceedings of the September 2016 annual meeting of RIAS (Representatives of Internal Audit Services). Given that RIAS do not make available the presentations or reports from its meetings, IMAC requested Internal Audit to provide the Committee with the annual meeting programme of RIAS on a regular basis.

8 Update on ITU's IT Security

- 8.1 In response to previous interest and concerns expressed by the Committee, IMAC was provided with a briefing session on recent developments and steps taken by ITU on the issue of digital/cyber security, as well as convergence and integration of physical and digital security.

9 Update on Compliance & Fraud Management

- 9.1 At IMAC's request, the Committee held a discussion with key ITU personnel on the related issues of compliance, internal control and fraud management. Against the background of compliance issues highlighted by IMAC in previous reports, including concerns raised in Internal Audit reports and an impending consultant review commissioned by Internal Audit to carry out a corporate fraud risk assessment in ITU, IMAC discussed the adequacy of the internal control environment in ITU.
- 9.2 Regulatory and procedural compliance affects the quality of internal control in the organization, which in turn affects the organization's exposure to fraud and irregularity. This constitutes a management concern, not just a matter for auditors, since it reflects and influences the quality of management of the organization.
- 9.3 The Secretariat mentioned the need to also consider the environment in which ITU is performing: the specific size of organization. What management considers is ITU's low perceived exposure to risk; its structure; the small size of field offices; delegation or non-delegation of authorities; the organization's business model (which gives less exposure than in humanitarian organizations, since no material goods are being transferred and provided to beneficiaries); and the way the organization is financed, with much of the budget coming from assessed contributions.
- 9.4 The Head of Internal Audit provided more details on the corporate fraud risk assessment work in progress, which is following up on the relevant JIU Report and recommendations. The assessment is based on regulatory frameworks, where transactions, processes, guidelines and procedures would alert or prevent a fraud; and interviews to determine how the key ITU personnel perceive the organization's vulnerability.
- 9.5 IMAC noted that best practice addresses integrated systems, including the capabilities of people, internal controls, and all different parts of the organization involved in managing fraud as a holistic system. IMAC believes that there are substantial benefits to be gained in improved governance from taking an integrated approach to compliance, internal control and fraud risk management. The Committee therefore intends to invite periodic discussion of these issues with key internal stakeholders: legal, financial management, procurement, human resource management and Internal Audit. To inform this ongoing dialogue, IMAC will monitor the results of the upcoming consultant's corporate fraud risk assessment.

- 9.6 In relation to fraud risk, IMAC noted that while management had repeatedly espoused zero tolerance for fraud, more active mechanisms need to be in place to ensure the promotion of an anti-fraud culture, such as the need for the organization to establish a proper anti-fraud policy; an effective “tone from the top”; compliance training and other measures.

10 Review of the Status of IMAC Recommendations

- 10.1 IMAC was satisfied with the progress achieved in the implementation of its recommendations. All recommendations from 2014 and 2015 have now been closed, while 2 recommendations are still open from the previous years (one recommendation on the need for the Ethics Officer to be appointed, which is expected on 1st of November 2016; and one recommendation on the need to conclude a Host Country Agreement for three field offices).
- 10.2 IMAC discussed whether the Management Coordination Group (MCG) could provide a useful mechanism for profiling IMAC Recommendations and outputs for response by line management, to reinforce the usefulness of the IMAC recommendations. IMAC expressed interest in the availability of the reports from MCG meetings to help inform IMAC on the key management developments and concerns.
- 10.3 IMAC also noted progress on the Secretariat’s implementation of the recommendations from the UN JIU’s “Review of Management and Administration in the ITU”, as well as progress on long-outstanding previous recommendations by the JIU.

11 External Audit

- 11.1 A conference call was held with the External Auditors, the Corte dei Conti, and a number of issues were discussed.
- 11.2 The External Auditors informed IMAC that the new President of the Chamber, Mr. Granelli, would soon take up his appointment and was planning to meet with the ITU Secretary-General in the first half of December.
- 11.3 Information on External Audit’s planned activities and timetable for 2017 were still awaited and IMAC expects to review these at its next meeting.
- 11.4 IMAC asked to be informed as soon as possible of the results of those upcoming discussions in November 2016 of the UN Panel of External Auditors and Technical Group which affect ITU: in particular on the discussions on ASHI (After-Service Health Insurance); on Panel conclusions of the impending changes to the format of External Auditors’ reporting; and on any feedback on UN external auditors’ relations with audit committees.
- 11.5 IMAC provided more information on the upcoming meeting of the Committee in early March and the External Auditors confirmed their intention to participate in person.

12 Meeting with the ITU Secretary General and exit meeting with the Deputy Secretary-General

- 12.1 IMAC held a joint briefing with the ITU Secretary General on the first day of its meeting and provided comprehensive feedback on all matters discussed by the Committee at an exit meeting with the ITU Deputy Secretary-General. These exchanges included constructive discussions on how to better leverage the expert advice provided by the Committee to further improve the management of the Union.

13 Next meeting of the IMAC

- 13.1 The Committee agreed to meet next on Thursday 2nd and Friday 3rd March 2017, and to meet subsequently on Wednesday 10th and Thursday 11th May 2017.