

## **Summary Report of the 6th meeting**

Present: Eric Adda, Beate Degen (Vice-Chair), Abdessalem El Harouchy, Graham Miller, Thomas Repasch (Chair)

### **1. Introduction**

1.1 The sixth IMAC meeting was held from 6 to 7 November 2013. In addition to its discussions with ITU officials about relevant topics, the Committee met with the Secretary-General and the Deputy Secretary-General. In this report the terms IMAC and Committee are used interchangeably.

### **2 Meeting with the Secretary-General**

2.1 The Secretary-General reiterated his support for IMAC, stressing that the Committee was adding a new set of needed expertise and that its work would be key in preparing for the Plenipotentiary Conference. He commended IMAC recommendations submitted to Council and said that IMAC was being seen as an independent and neutral organ. He congratulated IMAC for its collaboration with the Council working group on financial and human resources (CWG-FHR) and suggested that the next IMAC report be presented to the May Council 2014 session, in order for the Member States to have time to study its recommendations.

2.2 Concerning internal audit reports, the Secretary General reiterated his view that internal audit is an internal management tool and considered that problems mentioned in the audit reports should be corrected as soon as possible, before going public. Regarding the peer review and external audit of the internal audit function, the Secretary General asked that consideration be given to combining these reviews as an efficiency measure.

### **3 Council 2013**

3.1 The Chair expressed his satisfaction about Council reaction to the IMAC report and about the good spirit prevailing during the discussions with the CWG-FHR. The report with its 8 specific recommendations was approved by Council, and IMAC welcomed the modification of the CWG-FHR terms of reference to include the follow-up of IMAC recommendations. He indicated that Council took note of IMAC self-assessment and that CWG-FHR would review IMAC performance. He added that some Member States suggested improvements to the readability of the external auditor's report.

### **4 Status of IMAC recommendations**

4.1 IMAC reviewed the implementation status of the following 8 recommendations approved by Council 2013, as shown in the following table.

Rec No	Description	Implementation Status
Rec.1	IMAC recommends that the Secretary-General approve the revised Internal Audit Charter to be consistent with the IIA standards, with some further revisions to ensure that: - IMAC review the proposed Internal Audit work plan before its approval by the Secretary-General; - that this annual work plan is reviewed and approved prior to the beginning of the year to which it applies; - and that a more comprehensive Annual Report by the Internal Auditor, to include an assurance on the overall internal control environment, be submitted and presented to Council for discussion each year.	Completed Completed Outstanding
Rec.2	IMAC recommends that the Internal Audit annual work plan focus resources more extensively on direct audit activities and less on audit support activities.	Outstanding
Rec.3	In addition, to ensure adequate internal audit coverage, IMAC recommends that ITU reconsider the adequacy of resources allocated to the Internal Audit Unit and the activities assigned to Internal Audit.	Outstanding
Rec.4	IMAC recommends that Internal Audit pursue the commissioning of a peer review to take place preferably by 2014.	Outstanding
Rec.5	IMAC recommends that an evaluation of the Internal Audit function be carried out by the External Auditor.	Outstanding
Rec.6	IMAC recommends that ITU consider imposing and enforcing a clear and well understood timeframe for the negotiation and signature of Host Country Agreements for its regional and Area offices, beyond which alternative measures should be considered.	Ongoing
Rec.7	IMAC recommends that ITU pursue development of systematic, enterprise-wide risk management arrangements as a matter of priority, supported by the allocation of necessary budgetary resources, so that risk management can be incorporated in the strategic planning process for the period 2016-2019.	Ongoing
Rec.8	IMAC recommends that the Secretary-General approve an annual Statement on Internal Control to be issued together with the financial statements.	Completed

4.2 IMAC noted that the Secretary-General approved the revised Internal Audit Charter and that recommendation 1 was substantially completed; the percentage of direct audit activities and the adequacy of resources allocated to the Internal audit unit (recommendations 2 and 3) would be discussed in detail in the framework of the internal audit work plan. Regarding recommendation 5 pertaining to the external review of internal audit, IMAC decided to discuss this further at its next meeting. IMAC noted with satisfaction that recommendation 6 was under implementation. The Committee also noted that the work of the intersectoral Strategic Risk Management Task Force (SRM TF) had been successful (recommendation 7), and that recommendation 8 had been implemented.

## 5 Internal audit function

5.1 IMAC reviewed the Internal Audit progress report against 2013 Plan. The Committee was informed that the audit on service orders would be done by the different departments concerned, under the coordination of the legal unit, the Internal Auditor being responsible for

checking the final product, and that the review of the audit recommendations, as well as the planning of 2014 audit, had taken more time than estimated.

- 5.2 Concerning the follow-up of the internal audit recommendations, IMAC expressed regret that about 40% of 2008 recommendations were not yet implemented. IMAC requested additional details about the reasons for this lack of implementation and expressed concerns about accountability. The Committee concluded that the review process needed to be improved.
- 5.3 As far as the audit of ITU's area office in Moscow was concerned, IMAC was informed that the bank and cash issues were being closely followed by the Secretary General and Finance Department. The Committee believed that the audit report of the area office contained critical management, project management, and governance issues which require further attention by senior management. It raised questions about the overall management oversight provided to operations outside headquarters.
- 5.4 After discussing the proposed Internal Audit's work plan for 2014, the Committee saw no impediment to the Secretary-General's approval of the plan as presented. It noted, however that the overall level of resources available for internal audit had not improved, and the resources available for new and direct audit work amount to only 48% of the unit's available time. Given that the unit had fallen short in implementing recent past audit plans, the Committee questioned whether the intention to carry out the scheduled audits for 2014 constitutes a somewhat optimistic – albeit wholly commendable - objective in the context of the limited resources available. For future years, to further improve the planning and decision processes, IMAC recommended that the plan incorporate a clearer and more explicit presentation of the risk assessment and priorities on which the particular audit subjects are chosen. This would provide a clear linkage showing the basis on which the audit assignments have been selected. It also suggested, for completeness, that the audit plan visibly acknowledge Internal Audit's internal consultancy/advisory role, even though this is essentially a demand-led activity where no specific tasks and resources may have been scheduled at the time the annual plan is approved. IMAC agreed to convey its comments on the audit plan in a letter to the Secretary General.

## **6 Risk Management**

- 6.1 IMAC noted with satisfaction the report developed by the Strategic Risk Management Task Force which had been submitted as a contribution of the intersectoral Task Force for the elaboration of a draft Strategic Plan 2016-2019 of the Union. The Committee observed that its recommendation on risk management has been under implementation internally, and that the Council Working Group would need to elaborate a draft Strategic Plan 2016-2019 of the Union to move it further along.
- 6.2 The Committee recommended that risk management be applied to the operational level as well and that ITU develop the same approach for the elaboration of the ITU Operational Plans. It further recommended that risk management become a yearly exercise.

## **7 IMAC Web page**

- 7.1 In reviewing IMAC's presence on the ITU website, the Committee noted that its documents were accessible only to TIES account holders. Although IMAC decided to insert a note to indicate this, it reiterated its concern that ITU's work, including the reports submitted by IMAC, are not more publicly available. Consequently, IMAC has concluded that, as a matter of good governance and

improved accountability and transparency, ITU should make basic information about IMAC available on its public website.

## **8 Draft ITU Strategic plan 2016-2019**

- 8.1 IMAC welcomed the presentation on the work accomplished by the Task Force for the elaboration of a draft Strategic Plan 2016-2019. It noted the significant improvement made and expressed its support for the excellent and innovative approaches adopted, moving also risk management into strategic level. The new plan should help ITU to live up to its challenges and increase efficiencies. Membership needed to work along with the management in this regard, and the Committee expressed its willingness to provide support for this.
- 8.2 IMAC suggested concentrating on fewer and clearer Key Performance Indicators (KPIs). Strategic planning should become a regular exercise for the Organization.

## **9 Financial management**

- 9.1 IMAC was informed that ITU would propose to PP-14 a revision to Decision 5, which in 2011 established the Council Working Group on Financial and Human Resources, to take into account IMAC creation. Additionally, since World Radio Conference 2015 and Radiocommunication Assembly 2015 were not included in the first version of the Budget 2014-2015, Council had authorized a withdrawal of 4 million CHF, from the Reserve account, as well as another 4 million CHF withdrawal for ASHI. The Committee was also informed that the recent increase in mandatory retirement age should have a positive impact on long term ASHI liabilities. Council also agreed to give the Secretary General flexibility to make transfers between budget categories.
- 9.2 Concerning ITU's management of its regional offices, IMAC was informed that the internal auditor's recommendations had been followed up. Problems were experienced in the CIS office since UNDP left Moscow, leaving ITU without an agent to handle financial transactions. As the ITU office had no fiscal tax number, the private bank account of an ITU staff member has been used for petty cash. Otherwise, the financial rules were being observed. In the Bangkok office, only residents can give instructions for bank transfers. A new methodology for inventories in the field office had just been issued and approved by the BDT Director.
- 9.3 While noting the timely actions taken by ITU management to address the internal audit findings, IMAC emphasized that the cash, bank and management deficiencies contained in the internal audit reports were serious and exposed the organization to potential reputational damage.
- 9.4 In the specific instance of the Moscow office, IMAC recommended that ITU collaborate with other International Organizations to collectively solve the banking issues in Moscow. It also recommended that documents on the follow-up of the internal auditor's recommendations be attached to the auditor's report.

## **10 External audit**

- 10.1 IMAC expressed its appreciation for the external auditors' work plan and noted with satisfaction that the external auditors expected their next report to be ready by the end of May 2014, if no major problem occurred, the final report being submitted by end of June 2014. Dates for a meeting with IMAC probably in mid-June 2014, would be set as soon as possible. Concerning the language used in the external auditors' report, Corte dei Conti indicated that they planned to hold in Busan an informal session the day before the presentation of their report, to help

delegates understand their report better. The external auditors also suggested the publication of a glossary of terms.

- 10.2 The external auditors acknowledged the fact that auditing of the internal audit function by the external auditor was considered as best practice among the UN Organizations. They recommended that IMAC await the outcome of a meeting scheduled December 2013 in which the UN audit guidelines dating from 2002 will be discussed
- 10.3 Concerning the peer review of the Internal Audit recommended by IMAC, it was agreed that it should be performed by qualified experts in Internal Audit Standards. IMAC and the external auditors agreed that it was necessary to find the most cost effective method to proceed to a peer review.

## **11 Exit meeting with the Deputy Secretary-General**

- 11.1 IMAC expressed its satisfaction to the Deputy Secretary-General that its report had been well received by the Council at its June 2013 meeting. The Committee also told him that it had recommended approval of the Internal Audit plan 2014, with suggested improvements for the future. IMAC was gratified that ITU management reacted immediately to the CIS audit report, but expressed concerns about the management of regional and area offices, which could pose a threat to ITU reputation. IMAC congratulated the Deputy Secretary General for the impressive work undertaken in risk management and strategic planning areas and stressed that ITU management, together with the Member States, should take those two processes forward. Finally, IMAC indicated that the external auditors wanted to find the best approach to audit ITU Internal Audit.
- 11.2 The Deputy Secretary General congratulated IMAC for their work and support provided. He assured IMAC members that everything was being done to make sure the regional and area offices were part of the ITU team and reiterated ITU management's support and commitment to IMAC work.

## **12 IMAC Chairmanship**

- 12.1 The Chair thanked all IMAC members as well as the secretariat for their support during his two-year tenure. The Committee decided that Ms Beate Degen would be next IMAC chairperson and that there would be no Vice-Chairperson.

## **13 Next meeting**

- 13.1 The Committee agreed to meet 24-26 February 2014, to coincide with CWG-FHR meeting.