|  |  |
| --- | --- |
| **COUNCIL WORKING GROUP ONFINANCIAL AND HUMAN RESOURCES**7th meeting, Geneva, 30 January - 1 February 2017 |  |
| INTERNATIONAL TELECOMMUNICATION UNION |  |
|  |  |
|  | **Document CWG-FHR 7/16** |
| **23 December 2016** |
| **English only** |

CONTRIBUTION BY THE SECRETARIAT

**Report and follow-up to the
recommendations of the Independent Management Advisory Committee (IMAC)**

|  |
| --- |
| **Background**The Independent Management Advisory Committee (IMAC), as a subsidiary body of the ITU Council, serves in an expert advisory capacity and assists the Council and the Secretary-General in effectively fulfilling their governance responsibilities, including ensuring the functioning of ITU’s internal control systems, risk management and governance processes.This document reports on the implementation of all IMAC Recommendations from 2012 to 2016.**Action required**The CWG-FHR is invited to **take note** of the follow-up and progress on the implementation of the IMAC Recommendations.References*PP Resolution* [*162*](http://web.itu.int/dms_pub/itu-s/opb/conf/S-CONF-ACTF-2014-MSW-E.docx) *(rev. Busan, 2014); IMAC Annual Reports (5th Annual Report (2016):* [*C16/22 + Add.1*](http://www.itu.int/md/S16-CL-C-0022/en)*, 4th Annual Report (2015):* [*C15/22 + Add.1&2*](http://www.itu.int/md/S15-CL-C-0022/en)*, 3rd Annual Report (2014):* [*C14/22 + Add.1*](http://www.itu.int/md/S14-CL-C-0022/en)*, 2nd Annual Report (2013):* [*C13/65*](http://www.itu.int/md/S13-CL-C-0065/en)*, 1st Annual Report (2012):* [*C12/44*](http://www.itu.int/md/S12-CL-C-0044/en)*)* |

The report on the follow-up on the IMAC Recommendations includes:

1. Information on the status and progress of all the recommendations made by the IMAC Annual Reports (from 2012 to 2016); and
2. Summarized statistics on the implementation status.

## Follow-up on the IMAC recommendations at 23.12.2016

| Rec | Year | Description | Implementation Status | Progress | Responsibility / Focal point |
| --- | --- | --- | --- | --- | --- |
| **1** | **2016** | IMAC recommends to include the information related to the Financial key indicators in the Foreword by the Secretary-General of the Financial Operating Report, rather than in the financial statements. | Implemented | Information on the Financial key indicators included in the Foreword by the SG of the Financial Operating Report, as per the Recommendation (see Doc. [C16/42](https://www.itu.int/md/meetingdoc.asp?lang=en&parent=S16-CL-C-0042)). | FRMD |
| **2** | **2016** | IMAC recommends to include in the Management Report of the Financial Operating Report a Certification of the financial statements for the year ended 31 December 2015. | Implemented | Certification included in the in the Financial operating report for the financial year 2015 (Doc. [C16/42](https://www.itu.int/md/meetingdoc.asp?lang=en&parent=S16-CL-C-0042)). | FRMD |
| **3** | **2016** | IMAC recommends that ITU further examines with their actuaries whether the Swiss bonds interest rate applies as a basis of discount rate rather than corporate bonds interest rates in working out the actuarial valuation of the ASHI liability and the potential impact, if any. | In progress | A new actuary has been chosen further to a Call for bids. This topic will be discussed with them taking into consideration the recommendation made by the UN ASHI working group and submitted to the General Assembly in December. This recommendations is based on the work of the UN IPSAS task Force, which agreed, in principle, that a thirty-year yield curve for high-quality corporate bonds would be identified each year for each of the three currencies in which health insurance benefits are most commonly paid: US Dollar; Euro; and Swiss Francs. | FRMD |
| **4** | **2016** | IMAC recommends that the ITU management follow the discussions of the UN working group on the ASHI issues and establish a plan for funding these liabilities for the future. | In progress | The ITU is part of the UN ASHI working group where this topic is still under discussion. | FRMD |
| **5** | **2016** | IMAC recommends the improvement of the presentation and readability of the financial statements, including considering to remove references to the IPSAS transition disclosures if not required by the standards because of lapse of time. | In progress | The Financial operating report will be reviewed and a new version for the 2016 accounts will be presented to the 2017 Council. | FRMD |
| **6** | **2016** | IMAC recommends that ITU develop an aggregated and holistic view of high-level key risks at corporate level. | In progress | Recommendation has been taken into account in the design of the Risk Management policy and framework. Aggregated and holistic views of high-level key risks at corporate level will be developed and monitored. | Risk Mgmt. Working Group/SPM |
| **7** | **2016** | IMAC recommends that the ITU document the controls in place in the risk management process, in order to mitigate risk and identify gaps in controls. | In progress | Risk Management Working Group will be reviewing the process to document the controls in place. | Risk Mgmt. Working Group/SPM |
| **8** | **2016** | IMAC recommends that within the risk management system, dedicated individuals are identified as Risk Owners. | Implemented | Risk registers include risk owners; the individuals are indicated by their specific function (e.g. the Chief of a specific Dept.). | Risk Mgmt. Working Group/SPM |
| **9** | **2016** | IMAC recommends that ITU give initial consideration to the preparation of a Risk Management Policy and Risk Appetite Statement. | Implemented | A draft Risk Management Policy and Risk Appetite Statement have been developed by the Inter-Sectoral Coordination Task Force (ISC-TF) through the Risk Management Working Group, in consultations with IMAC. They will be introduced to the CWG-FHR and be endorsed at the 2017 Session of Council (following also the relevant JIU Recommendation). | Risk Mgmt. Working Group/SPM |
| **10** | **2016** | IMAC recommends that future Internal Audit Plans indicate the results of the annual audit risk assessment, and evidence a clearer and explicit linkage between the risk assessment and the selection of audit topics for the coming year. | Implemented | 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. | IAU |
| **11** | **2016** | IMAC recommends the appropriate use and rigorous management of the Internal Audit resources so that direct audit work is maximized. | Implemented | This recommendation is well noted. IA resources are used and managed mainly in accordance with the IA plan yet also taking into consideration the requests/concerns from Senior management. Detailed tracking of the time spent on direct and indirect audit activities is done within IAU and reported to IMAC. Variances are explained. | IAU |
| **12** | **2016** | IMAC recommends that the relationship, interaction and exchange of information of Internal Audit with the External Auditor be formalized. | In progress | This will be done as soon as a meeting with External Audit takes place at the next visit of the External Auditor. | IAU |
| **13** | **2016** | IMAC recommends that the ITU consider the benefits of seeking support from an independent professional expert in the process of assessing the market value and negotiating the sale of the ITU Tower. The Committee recommends the acquisition of dedicated internal and external project and risk management expertise for the undertaking of this project. | In progress | Following Council 16 Decision 588, instructs 11: the market valuation of the Tower for sale will occur at a time after Switzerland’s response to ITU’s request for the second loan tranche is received (December 2019 at the earliest) and before the potential disposal of the Tower (late 2023 at the earliest), balancing the earlier availability of such valuation information and its coherence with dynamic market conditions. The valuation will be performed by an independent external expert under ITU’s management. Any solicitation of potential acquirers, and disposal of the Tower will likewise be made with independent external expert consultancy.The project will develop a risk management plan, and maintain a risk register. Both internal and external resource will be involved in developing information for risk management. | MCG(HRMD/FDM) |
| **14** | **2016** | Subject to the Council’s consideration, IMAC recommends that the ITU secretariat present a Plan of Action for the implementation of the JIU Recommendations with clear timescales proposed. | Implemented | Plan of Action submitted to the CWG-FHR. Regular updates will be provided to IMAC. | MCG |
| **1** | **2015** | IMAC recommends that Council propose to Member States at PP18 that paragraph 2 of the terms of reference of IMAC be revised to restore the mandate for IMAC to advise on “the actions taken by ITU management on audit recommendations.”In the interim, and to avoid any confusion or misunderstandings about IMAC’s role, the Committee invites Council to clarify and explain its understanding of the mandates entrusted to IMAC; and to endorse the Committee’s intention to proceed as set out above. | Implemented | Council 2015 endorsed to restore the mandate to advise on "the actions taken by ITU management on audit recommendations". | Council |
| **2** | **2015** | IMAC recommends that the Secretary-General should obtain documented assurance on the effectiveness of the internal control system by requiring senior managers to attest their responsibilities over the internal control system by providing the Secretary-General with signed internal letters of representation to support the published Statement on Internal Control. A formal procedure for this is being taken forward. | Implemented | Memorandum of the Secretary General for the ITU internal letter of representation was issued by end of 2014. With this internal letter, the senior managers attested their responsibilities over the internal control system. This letter of representation is essential document supporting the SIC. This letter of representation will be now part of the closing account. Each year, FRMD will issue this office Memorandum to the senior managers of ITU. | SG/FRMD |
| **3** | **2015** | IMAC encourages the CWG-HQP to take forward its work to examine all realistic and coherent options, taking into account direct and indirect costs; and the Committee would be pleased, if required, to provide thoughts and comments on the outputs of the process in due course. | Implemented | CWG-HQP was created by PP-14. CWG-HQ has finished their work on February 2016 and made a recommendation to Council 2016. Please see Chairman report to Council 2016 (C16-7). | CWG-HQP |
| **4** | **2015** | IMAC reiterates its recommendation of 2014 (Rec.6/2014) that the development of systematic risk management arrangements be further pursued and applied to the operational level as a continuous part of the business process, with the establishment of a risk register, identification of risk owners and regular top management review. | Implemented | Proposed approach for a systematic risk management system has been consulted with IMAC and presented and endorsed by membership, including: a) Establishment and maintenance of a list of risks (risk register), b) Identification of risk owners and responsibilities in implementing mitigation measures, c) Review of risks by top management on a regular basis. | SPM |
| **5** | **2015** | IMAC recommends that the Secretary-General report to Council on the overall audit findings and action taken to improve ITU’s management of field operations.  | Implemented | The report on internal audit activities that is submitted to Council annually contains information on the overall status and follow up of internal audit recommendations.The Secretary-General reports to Council on the management of field operations in Document [C16/25](https://www.itu.int/md/meetingdoc.asp?lang=en&parent=S16-CL-C-0025) on Strengthening the regional presence, as per Res.25 (Rev. Busan, 2014). This report contains 7 Annexes presented in Document [C16/INF/8](https://www.itu.int/md/meetingdoc.asp?lang=en&parent=S16-CL-INF-0008). | SG |
| **6** | **2015** | IMAC therefore endorses the findings of the external validation report and commends them to the Council’s attention. IMAC recommends that the Council request the Secretary-General and the Internal Auditor - through the mechanism of the annual Report of the Internal Auditor on Internal Audit Activities - to report to the Council in 2016 and subsequent years on action taken and progress made in the implementation of each of the nine recommendations contained in the External Independent Validation of ITU’s Internal Audit activity. | Implemented | Report was presented to Council 2016 as indicated. Intermediate updates provided to IMAC. | IAU |
| **1** | **2014** | IMAC recommends that the Internal Auditor make further efforts towards providing more comprehensive annual reporting to the Council in future years. | Implemented | Presented at Council 2015 | IAU |
| **2** | **2014** | IMAC recommends that the Secretary-General consider whether internal audit findings, taken as a whole, indicate a need for more rigorous management oversight of field activities. | Implemented | In support of this Recommendation, the Secretary-General and the BDT Director have taken enhanced management measures such as the following to reinforce internal controls and ensured that the relevant internal audit recommendations are addressed with a sizeable number of them being closed in the meantime:- Regular weekly bilateral meeting between BDT Director and each Regional Director (and Chief of Department) to follow-up management and operational issues- Regular BDT Management Committee meeting consisting of BDT Director, Regional Directors and Chiefs of department to discuss priority management issues of BDT- All travel requests are carefully reviewed with a view to rationalize the travels, in particular the inter-continental travels, and to minimize the number of staff members travelling to the same event- All experts’ recruitments are carefully reviewed with a view to rationalize the recruitment and optimize the use of resources- A memorandum on the recruitment of experts was dispatched to the entire BDT with a view to rationalize the recruitment, to optimize the use of resources and to increase the accountability- BDT Director commissioned the revamp of roster of experts system- At the request of BDT Director, Secretary-General directed an internal audit on the expert recruitment system to increase its efficiency. | SG/BDT Director |
| **3** | **2014** | IMAC recommends that ITU take advantage of the CWG-FHR review of access to ITU documents to seek ways of making internal audit reports more easily available to Member States and other stakeholders. | Implemented | PP-14 decided to publish on a website accessible to the public the annual report of the internal audit activities. | Council/PP/SG |
| **4** | **2014** | IMAC recommends that ITU appoint an ethics officer as a matter of key priority. | Implemented | The process has been completed and the Ethics Officer entered on duties on the 1st of November 2016. | SG / HRMD |
| **5** | **2014** | IMAC recommends that the Secretary-General obtain evidenced assurance on the effectiveness of the internal control framework by requiring senior managers to certify that they have discharged their responsibilities for internal control for the year. | Implemented | Internal letter of representation for the financial period 2014 and 2015 signed by Elected Officials, Heads of Departments and Heads of Units of the General Secretariat reporting directly to the Secretary-General, as well as Directors from the Regional and Area Offices. | SG / FRMD |
| **6** | **2014** | IMAC recommends that the development of systematic risk management arrangements be further pursued and applied to the operational level as a continuous part of the business process, with a risk register, risk owners and regular top management review. | Implemented | See the implementation of relevant Rec.5 (2014) | SGO/CSD |
| **7** | **2014** | IMAC recommends that ITU should consider whether it is appropriate to develop a comprehensive business case, with costed options, to support its decision on such a major long-term expenditure. | Implemented | PP-14 decided the creation of CWG-HQP. The group examined the status of HQ premises of the Union and analyzed all the options. Please see Chairman report to Council 2016 ([C16/7](https://www.itu.int/md/meetingdoc.asp?lang=en&parent=S16-CL-C-0007)). | FRMD |
| **8** | **2014** | IMAC commends the progress made on strategic planning and recommends that development be continued in this direction. | Implemented | PP14 approved the ITU SP 2016-2019 developed in the direction previously presented to IMAC. As a follow up to this, the operational planning process will be developing the four-year rolling Operational Plans in alignment with the principles and the framework of the adopted strategic plan. | CWG SP-FP/Council/PP |
| **9** | **2014** | IMAC recommends that, in pursuit of the principles of transparency and good governance, all documents relating to the Committee should be publicly available. Having regard to CWG-FHR’s review of document accessibility, IMAC urges that the Committee’s approach be applied by ITU to document accessibility at all possible levels. | Implemented | IMAC reports are publicly available on the IMAC webpage. The annual report of the Internal Auditor, following the adopted new part of FinReg Art. 29 at the extra-ordinary session of Council in Busan is available on the public web [http://www.itu.int/en/council/Documents/2014/S14-CL-C-0047!!MSW-E.pdf](http://www.itu.int/en/council/Documents/2014/S14-CL-C-0047%21%21MSW-E.pdf)  | Council/PP |
| **1** | **2013** | 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. | Implemented | The revised Internal Audit Charter developed in consultation with IMAC was approved by the Secretary-General in June 2013 and a revised Service Order was issued.The Annual Report by the Internal Auditor was submitted and presented to Council 2014 for discussion in accordance with Service Order 13/09. This draft Annual Report was reviewed by IMAC at the 7th IMAC meeting, 24-26 February 2014. | IAU/SG |
| **2** | **2013** | IMAC recommends that the Internal Audit annual work plan focus resources more extensively on direct audit activities and less on audit support activities. | Implemented | IA Work plan submitted to IMAC for review at the 9th IMAC meeting | IAU |
| **3** | **2013** | 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. | Implemented | A P1 Junior Internal Auditor position was created and filled in autumn 2014 | IAU/SG |
| **4** | **2013** | IMAC recommends that Internal Audit pursue the commissioning of a peer review to take place preferably by 2014. | Implemented | On-site visit by external validators took place in first week of January 2015, report is expected in the coming weeks. | IAU |
| **5** | **2013** | IMAC recommends that an evaluation of the Internal Audit function be carried out by the External Auditor.  | Implemented | Included in External Auditor Report to Council 2014 | EA |
| **6** | **2013** | IMAC recommends that ITU consider imposing and enforcing a clear and well understood timeframe for the negotiation and signature of Host Country Agreements (HCAs) for its regional and Area offices, beyond which alternative measures should be considered. | In progress | Concerning Jakarta Area Office, ITU, through its representation in Jakarta, is working with the Indonesian Authorities on the finalization of the Host Country Agreement.Revision of the HCA for the Bangkok Office: There has not been much progress with MICT Thailand. The issue is still around the provisions of MOSS in the draft agreement where Thailand is not in agreement with the proposed text.Secretariat re-entered in negotiations with the Authorities of Chile in August 2015 in order to sign a HCA for the ITU Area Office in Santiago. Negotiations are still in progress. | LAU |
| **7** | **2013** | 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. | Implemented | Report developed by the intersectoral Task Force on Strategic Risk Management (SRM TF) and used by the Intersectoral Task Force for the elaboration of draft Strategic Plan for the Union 2016-2019. The SRM TF recommendations have been implemented. Strategic Risks integrated in the input document to the CWG on SP & FP and a results framework has been developed in line with Res 151 and applying best practices. | SGO |
| **8** | **2013** | IMAC recommends that the Secretary-General approve an annual Statement on Internal Control to be issued together with the financial statements. | Implemented | The Statement on Internal Control was issued together with the financial statements at Council 2013 and will be in future. | FRM |
| **1** | **2012** | The Secretary-General should ensure recruitment of the vacant auditor post as a matter of priority | Implemented |  | SG |
| **2** | **2012** | The Secretary-General should take additional steps, with appropriate resources, to develop the risk management framework, building on existing data and demonstrating to all stakeholders that ITU management is fully committed to it. | Implemented | Executive Workshop held 1 June 2012. ITU intersectoral Strategic Risk Management (SRM) Task Force created September 2012. 2nd Intersectoral workshop "Integration of Strategic Risk Management in the Strategic Planning Process" was held in May 2013 with all D level ITU staff. A consultant was contracted to support ITU Management. SRM TF Report used by the Intersectoral Task Force for the elaboration of draft Strategic Plan for the Union 2016-2019 and its recommendations have been implemented. Strategic Risks integrated in the input document to the CWG on SP & FP. | SGO |
| **3** | **2012** | The Secretary-General should continue to improve arrangements for and functioning of ITU’s ethics program, including formal reporting of the office’s activities and consideration of a possible hot line and a reporting mechanism through ITU’s website. | In progress | The Ethics Officer entered on duties on the 1st of November 2016. The arrangements for the improvement of the ITU ethics program will be discussed with IMAC during the upcoming IMAC meeting. | Ethics Office |
| **4** | **2012** | With the advent of improved financial reporting under IPSAS, ITU management should consider issuing a Statement on Internal Control along with its financial statements. | Implemented | SIC developed in consultation with IMAC and issued along the financial statements at Council 2013. | FRM |
| **5** | **2012** | The Secretary-General should ensure that ITU adopt best practice and issue its financial statements and the audit opinion as a single document, as is done normally in UN organizations. | Implemented | The opinion of the External Auditor on the financial statements is included in the Financial Operating report presented to Council (Article 28 of Financial Regulations and Rules) | FRM |
| **6** | **2012** | The Secretary-General should appoint as IMAC Secretary someone whose functions are not so directly related to IMAC’s oversight responsibilities. | Implemented | New IMAC Secretary nominated in June 2012 | SG |

## Statistics on implementation of IMAC Recommendations at 23.12.2016

|  |  |  |
| --- | --- | --- |
| The figures provide consolidated statistics on the progress achieved in the implementation of the IMAC Recommendations (2012-2016).50% (or 7 out of 14) of the 2016 Recommendations have already been implemented, as well as all recommendations from 2014 and 2015 (100%). There is 1 Recommendation per year from 2012 and 2013 still in progress. |  |  |
|  |  |
|  |  |

\_\_\_\_\_\_\_\_\_\_\_\_\_