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| **Council 2022  Geneva, 21-31 March 2022** |  |
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| **Agenda item: ADM 10** | **Document C22/22-E** |
| **24 February 2022** |
| **Original: English** |
| Report by the Secretary-General | |
| Eleventh Report of the Independent Management Advisory Committee (IMAC) | |

I have the honour to transmit to the Member States of the Council a report from the Chairperson of the Independent Management Advisory Committee (IMAC).

Houlin ZHAO

Secretary-General

ELEVENTH REPORT OF THE  
INDEPENDENT MANAGEMENT ADVISORY COMMITTEE (IMAC)

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| Summary  This eleventh report of the Independent Management Advisory Committee (IMAC) to the ITU Council contains IMAC’s comments and advice on the External Auditor’s Report on the 2020 Financial Statements and the Committee’s proposed amendments to its Terms of Reference (ToRs).  The detailed IMAC Annual Report for the 2021 activities will be presented at the final meeting of the 2022 Session of Council before the Plenipotentiary Conference (PP-22), following the receipt of the External Auditor’s Report on the 2021 Financial Statements.  Action required  The Council is invited to **approve** the IMAC report and its recommendation for action by the secretariat, and **approve** the proposed amendments to the IMAC Terms of Reference annexed to this report, as per the provisions of PP Resolution 162 (Rev. Busan, 2014), and **invite Member States to consider these proposals** when preparing their formal contributions to revise Resolution 162 (Rev. Busan, 2014) at the 2022 Plenipotentiary Conference.  \_\_\_\_\_\_\_\_\_\_\_\_  References  [Resolution 162](https://www.itu.int/en/council/Documents/basic-texts/RES-162-E.pdf) *(Rev. Busan, 2014); Council* [Decision 615](https://www.itu.int/md/S19-CL-C-0132/en); *IMAC Annual Reports (since the first annual report):* [C12/44](http://www.itu.int/md/S12-CL-C-0044/en); [C13/65 + Corr.1](http://www.itu.int/md/S13-CL-C-0065/en); [C14/22 + Add.1](http://www.itu.int/md/S14-CL-C-0022/en); [C15/22 + Add.1-2](http://www.itu.int/md/S15-CL-C-0022/en); [C16/22 + Add.1](https://www.itu.int/md/S16-CL-C-0022/en); [C17/22](https://www.itu.int/md/S17-CL-C-0022/en); [C18/22 + Add.1](https://www.itu.int/md/S18-CL-C-0022/en); [C19/22](https://www.itu.int/md/S19-CL-C-0022/en); [C20/22](https://www.itu.int/md/S20-CL-C-0022/en); [C21/22](https://www.itu.int/md/S21-CL-C-0022/en) |

1. Introduction
   1. IMAC serves in an independent expert advisory capacity to assist the Council and the Secretary-General in exercising their governance responsibilities for financial reporting, internal control arrangements, risk management and governance processes, and other audit-related matters mandated by the IMAC Terms of Reference. IMAC therefore assists in enhancing transparency, strengthening accountability and supporting good governance. IMAC does not carry out audit, nor duplicate any executive or audit functions, internal or external, but helps to ensure the best use of audit and other resources within the ITU’s overall assurance framework.
2. MEMBERSHIP and Summary of activities of imac
   1. The current composition of IMAC comprises the following members:

* Mr. Kamlesh Vikamsey (Chair)
* Ms. Sarah Hammer
* Mr. Alexander Narukavnikov
* Mr. Honore Ndoko
* Mr. Henrique Schneider
  1. IMAC’s last annual report to the Council was presented at the 2021 Virtual consultation of councilors in May 2021, and since then the Committee met on 4-6 October 2021 and 14-16 February 2022. Due to the COVID-19 pandemic restrictions on travel, the meetings of the Committee since May 2020 have been organized virtually.
  2. A designated member of the Committee traveled to Geneva in October 2021 and met with ITU management and the External Auditors to discuss the progress of the External Auditor’s 2020 Report.
  3. The Committee has since the last annual report engaged with all areas of its responsibilities, including internal audit; risk management; internal control; evaluation; ethics; the financial statements and financial reporting; and external audit.
  4. All reports of the Committee’s meetings and its annual reports, as well as other key documents, are available to the ITU membership on [IMAC’s area](http://www.itu.int/en/council/Pages/imac.aspx) of the [ITU public website](https://www.itu.int/en/council/Pages/imac.aspx), accessible also via the [ITU Council](http://www.itu.int/en/council/Pages/default.aspx) web page.
  5. IMAC virtual meetings had to be compressed in terms of timing, to be able to accommodate all members participating around the globe, therefore additional time will be allocated during the next physical meeting -when the pandemic situation will allow, to ensure in depth follow up study of the topics entrusted to IMAC.
  6. IMAC members commend overall ITU management’s engagement with IMAC in a fruitful process; the readiness and responsiveness of management to address IMAC’s questions, as well as the proactiveness in seeking IMAC’s advice in several topics of IMAC’s scope and expertise. Specific observations and recommendations on the areas of IMAC’s responsibility are included within the relevant sections of this report.

1. imac cOMMENTS AND vIEWS ON THE External AuditOR’S rEPORT FOR 2020
   1. When submitting its Tenth Annual Report to Council ([C21/22](https://www.itu.int/md/S21-CL-C-0022/en)), IMAC had not received the External Auditor’s Report for the year 2020 and therefore had not commented on this section. This report contains IMAC comments and views on the External Auditor’s Report on the 2020 Financial Statements.
   2. IMAC continued to closely engage with the External Auditor, holding sessions in each of the Committee’s virtual meetings, both with the External Auditor and ITU management, and in closed private sessions with the External Auditor only. A physical meeting of a designated member of the IMAC was also organized in Geneva in October 2021, with the participation of the ITU management and the External Auditors and discussed in depth the progress towards the conclusion of the External Auditor’s Report for 2020.
   3. In the area of international cooperation and technical assistance, the External Auditors have commented that though the systems of internal control are undergoing reform, they could not carry out satisfactory audit procedures to opine that the financial statements were free from material misstatements due to errors or frauds and therefore they have provided like for 2019, a qualified opinion on the 2020 ITU financial statements.
   4. The External Auditor acknowledge that ITU, in particular BDT, has put in place a comprehensive process aimed to duly follow up and implement the External Audit recommendations, as well as the recommendations made by the IAU and the JIU, which can now be monitored through a Compliance Dashboard. A Working Group on Internal Controls was set up on the initiative of the BDT Director, to address, *inter alia*, the risks related to the accountability framework, and review the procedures for managerial oversight across the ITU. This concerned such areas as governance, ethics, procurement, and internal control procedures. According to the External Auditor, at the closing of 2020 the improved controls put in place by the BDT seek to address all the areas identified for improvement, however, their effectiveness has not yet been assessed internally by an independent assurance provider.
   5. IMAC appreciated that a more updated roadmap in addressing the previously identified risk and weaknesses has been put in place by the ITU secretariat. The Committee is of the view that there is a prospect of moving forward with the resolution of the pending issues.
   6. The External Auditor’s Report for 2020 has again included an emphasis of matter on the impact of actuarial liabilities relating to long-term employee benefits recorded in the financial position, in particular the After Service Health Insurance plan (ASHI).
   7. IMAC commends the External Auditor’s Report and audit recommendations to the Council’s priority attention.
   8. IMAC discussed with the External Auditors their work plan for the audit of 2021 and received their feedback that based on the current plan of work, the Audit Report for 2021 should be issued before the end of June 2022.
   9. The year 2021 is the last year of audit for Corte dei Conti, Italy, and therefore IMAC encouraged them to engage closely with the UK National Audit Office, so that the transition is smooth.

**Recommendation 1 (2022)**: IMAC recommends that the senior management should engage with the Auditors to satisfy them on the adequacy of operations of controls that have already been put in place, to enable the Auditors to perform satisfactory audit procedures which help them to opine that the financial statements are free from material errors or misstatement.

1. Terms of Reference
   1. IMAC’s Terms of Reference (ToRs), as per the provisions of Resolution 162 (rev. Busan, 2014) explicitly provide for the Committee to periodically review the ToRs, and submit any proposed amendments to the Council for approval.
   2. IMAC had recommended in 2018 that Council propose to Member States at PP-18 that IMAC’s ToRs be revised, in particular paragraph 2 to restore the mandate to advise on “the actions taken by ITU management on audit recommendations”; and also proposed to include in the ToRs the oversight of ethics issues. Annex 3 to the IMAC 7th Annual Report ([C18/22](https://www.itu.int/md/S18-CL-C-0022/en)) to Council included the Committee’s suggested amendments and had been submitted also to PP-18 as Information Document 1 ([PP18/INF-1](https://www.itu.int/md/S18-PP-INF-0001/en)). However, while revised IMAC Terms of Reference were approved by the Council in 2018, no Member States submitted a proposal to update them at PP-18.
   3. IMAC’s proposed amendments to its ToRs are also fully in line with the related JIU recommendations, in particular the Recommendations of the JIU *Review of Audit and Oversight Committees* (JIU/REP/2019/6), and the JIU *Review of the investigation function in the UN System* (JIU/REP/2020/1).
   4. Given that the next possibility to revise the IMAC ToRs is at the ITU Plenipotentiary Conference 2022, IMAC submits again its proposed amendments to the ToRs (presented as an Annex to this Report) for Council’s **consideration and approval**, **inviting** Member States to consider these proposals when formulating their contributions to PP-22.

**ANNEX: pROPOSED aMENDMENTS BY imac TO improve ITS   
tERMS OF rEFERENCE**

*aNNEX TO RESOLUTION 162 (Rev. Busan, 2014)*

Terms of reference for the ITU Independent Management   
Advisory Committee

Purpose

1 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, including human resources management. IMAC must assist in enhancing transparency, strengthening accountability and the governance functions of the Council and the Secretary-General.

2 IMAC will provide advice to the Council and ITU management, on:

a) ways of improving the quality and the level of financial reporting, governance, risk management, including long-term liabilities, monitoring and internal controls in ITU;

b) the actions taken by ITU management on audit recommendations;

c) ensuring the independence, effectiveness and objectivity of the internal and external audit functions; and

d) how to strengthen communication among all stakeholders, the external and internal auditors, the Council and ITU management.

### Responsibilities

3 The responsibilities of IMAC are:

a) Internal audit function: To advise the Council on the staffing, resources and performance of the internal audit function and the appropriateness of the independence of the internal audit function.

b) Risk management and internal controls: To advise the Council on the effectiveness of ITU's internal control systems, including ITU's risk-management and governance practices.

c) Financial statements: To advise the Council on issues arising from the audited financial statements of ITU, and letters to management and other reports produced by the external auditor.

d) Accounting: To advise the Council on the appropriateness of accounting policies and disclosure practices and assess changes and risks in those policies.

e) External audit: To advise the Council on the scope and approach of the external auditor's work. IMAC may provide advice on the appointment of the external auditor, including the costs and scope of the services to be provided.

f) Evaluation: To review and advise the Council on the staffing, resources and performance of ITU's evaluation function.

g) Ethics: To review and advise on the ethics function, ITU’s code of ethics, policy against fraud, corruption and other proscribed practices; and whistleblowing arrangements.

h) Investigation: To review the independence and mandate of the internal investigation function; review its budget and staffing requirements; review its overall performance, investigation policies and guidelines; and issue related recommendations.

### Authority

4 IMAC shall have all the necessary authority to fulfil its responsibilities, including free and unrestricted access to any information, records or staff (including the internal audit function) and the external auditor, or any business contracted by ITU.

5 The Head of the ITU internal audit function and the external auditor will have unrestricted and confidential access to IMAC, and vice versa.

6 These terms of reference (ToR) are to be reviewed periodically, as appropriate, by IMAC, and any proposed amendment submitted to the Council for approval.

7 IMAC, as an advisory body, has no management powers, executive authority or operational responsibilities.

### Composition

8 IMAC shall comprise five independent expert members serving in their personal capacity.

9 Professional competence and integrity shall be of paramount consideration in the selection of members.

10 No more than one member of IMAC shall be a national of the same ITU Member State.

11 To the greatest extent possible:

a) no more than one member of IMAC shall be from the same geographical region; and

b) membership of IMAC shall be balanced, with individuals from developed and developing countries[[1]](#footnote-1)1, in terms of public- and private-sector experience, and in terms of gender.

12 At least one member shall be selected on the basis of his/her qualifications and experience as a senior oversight professional or senior financial manager, preferably in the United Nations system or in another international organization, to the greatest extent possible.

13 To undertake their role effectively, members of IMAC should collectively possess knowledge, skills and senior-level experience in the following areas:

a) finance and audit;

b) organization governance and accountability structure, including risk management;

c) law;

d) senior-level management;

e) the organization, structure and functioning of the United Nations and/or other intergovernmental organizations; and

f) a general understanding of the telecommunication/ICT industry.

14 Members should ideally have or acquire rapidly a good understanding of ITU's objectives, governance structure, the relevant regulations and rules, and its organizational culture and control environment.

### Independence

15 Since the role of IMAC is to provide objective advice, members shall remain independent of the ITU secretariat, the Council and the Plenipotentiary Conference, and shall be free of any real or perceived conflict of interest.

16 Members of IMAC shall:

a) not hold a position or engage in any activity that could impair their independence from ITU or from companies that maintain a business relationship with ITU;

b) not currently be, or have been within the five years prior to appointment on IMAC, employed or engaged in any capacity by ITU, a Sector Member, an Associate or a Member State delegation, or have an immediate family member (as defined by the ITU Staff Regulations and Staff Rules) working for or having a contractual relationship with ITU, a Sector Member, an Associate or a Member State delegation;

c) be independent of the United Nations Panel of External Auditors and the Joint Inspection Unit; and

d) not be eligible for any employment with ITU for at least five years immediately following the last day of their tenure on IMAC.

17 IMAC members shall serve in their personal capacity and shall not seek or accept instructions in regard to their performance on IMAC from any government or other authority internal or external to ITU.

18 Members of IMAC shall sign an annual declaration and statement of private, financial and other interests (Appendix A to these ToR). The Chairman of IMAC shall provide the completed and signed declaration and statement to the Chairman of the Council promptly after a member commences his/her term on IMAC, and thereafter on an annual basis.

### Selection, appointment and term

19 The process for selection of members of IMAC is set out in Appendix B to these ToR. The process shall involve a selection panel comprising representatives of the Council on the basis of equitable geographical distribution.

20 The selection panel shall relay its recommendations to the Council. Members of IMAC shall be appointed by the Council.

21 Members of IMAC are appointed to serve for a term of four years, renewable for a second and final term of four years, which need not be consecutive. To ensure continuity of membership, the initial appointment of two of its five members shall be for one term of four years only, decided by the drawing of lots at IMAC's first meeting. The Chairman shall be selected by IMAC members from amongst their number and shall serve in this capacity for a term of two years.

22 A member of IMAC may resign his/her membership by notice in writing to the Chairman of the Council. A special appointment for the remainder of that member's term shall be made by the Chairman of the Council in accordance with the provisions set out in Appendix B to these ToR to cater for such a vacancy.

23 An appointment to IMAC may only be revoked by the Council, under conditions to be established by the Council.

### Meetings

24 IMAC shall meet at least twice in an ITU financial year. The exact number of meetings per year will depend on the agreed workload for IMAC and the most appropriate timing for consideration of specific matters.

25 Subject to these ToR, IMAC will establish its own rules of procedure to assist its members in executing their responsibilities. The IMAC rules of procedure shall be communicated to the Council for its information.

26 The quorum for the committee is three members. As members serve in a personal capacity, alternates are not allowed.

27 The Secretary-General, the External Auditor, the Chief of the Financial Resources Management Department, the Chief of Human Resources Management Department, the Head of the internal audit function and the Ethics Officer, or their representatives, shall attend meetings when invited by IMAC. Other ITU officials with functions relevant to the items on the agenda may likewise be invited.

28 If necessary, IMAC has the ability to obtain independent counsel or have recourse to other outside experts in order to advise the committee.

29 All confidential documents and information submitted to or obtained by IMAC remain confidential.

### Reporting

30 The Chairman of IMAC will submit its findings to the Chairman of the Council and the Secretary-General after each meeting, and will present an annual report, both in writing and in person, for consideration by the Council at its annual session.

31 The Chairman of IMAC may inform the Chairman of the Council, in between Council sessions, of a serious governance issue.

32 IMAC will conduct a self-assessment, based on best practice, and report on the results to the Council.

### Administrative arrangements

33 Members of IMAC will provide services pro bono. In accordance with the procedures applying to appointed staff of ITU, members of IMAC:

a) shall receive a daily subsistence allowance; and

b) those not resident in the Canton of Geneva or neighbouring France shall be entitled to reimbursement of travel expenses, to attend IMAC sessions.

34 The ITU secretariat will provide secretariat support to IMAC.

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1. 1 These include the least developed countries, small island developing states, landlocked developing countries and countries with economies in transition. [↑](#footnote-ref-1)