



Agenda item: 6

**Addendum 1 to
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Report by the Secretary-General

**ADDENDUM 1 TO THE ELEVENTH REPORT OF THE
INDEPENDENT MANAGEMENT ADVISORY COMMITTEE (IMAC)**

ANNUAL REPORT FOR 2021-2022

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

Summary

This Addendum to the eleventh report of the Independent Management Advisory Committee (IMAC) to the ITU Council contains the detailed IMAC Annual Report for the 2021-2022 activities to be presented at the final meeting of the 2022 Session of Council before the Plenipotentiary Conference.

The report also contains IMAC's views on the External Auditor's Report on the 2021 Financial Statements.

Action required

The Council is invited to **approve** the IMAC report and its recommendations for action by the secretariat.

References

[Resolution 162](#) (Rev. Busan, 2014); Council [Decision 615](#);

IMAC Annual Reports:

[C12/44](#) (First annual report of IMAC to the Council);

[C13/65 + Corr. 1](#) (Second annual report of IMAC to the Council);

[C14/22 + Add.1](#) (Third annual report of IMAC to the Council);

[C15/22 + Add.1-2](#) (Fourth annual report of IMAC to the Council);

[C16/22 + Add.1](#) (Fifth annual report of IMAC to the Council);

[C17/22](#) (Sixth annual report of IMAC to the Council);

[C18/22 + Add.1](#) (Seventh annual report of IMAC to the Council)

[C19/22](#) (Eighth annual report of IMAC to the Council)

[C20/22](#) (Ninth annual report of IMAC to the Council)

[C21/22](#) (Tenth annual report of IMAC to the Council)

[C22/22](#) (Eleventh report of IMAC to the Council)

1. ACTIVITIES OF IMAC FOR 2021-2022 AND MEMBERSHIP OF THE COMMITTEE

1.1. IMAC's report to the March session of Council 2022 was focused on providing the Committee's views on the External Auditor's Report on the 2020 Financial Statements and IMAC's proposals on the revisions to its Terms of Reference, for Member States consideration.

1.2. This Addendum to the eleventh report contains the detailed IMAC Annual Report for the 2021-2022 activities to be presented at the final meeting of the 2022 Session of Council before the Plenipotentiary Conference.

1.3. The current composition of IMAC membership is as follows:

- Mr. Kamlesh Vikamsey (Chair)
- Mr. Honore Ndoko (Vice-Chair)
- Ms. Sarah Hammer
- Mr. Alexander Narukavnikov
- Mr. Henrique Schneider

1.4. At its last meeting in July 2022, the Committee selected Mr. Kamlesh Vikamsey as Chair of IMAC for another term and decided to appoint a Vice-Chair to be selected by the Committee members for a 2-year term, with the intention that the Vice-Chair takes over as Chair. The Committee decided to appoint Mr. Honore Ndoko as Vice-Chair of IMAC.

1.5. Since the Virtual consultation of councilors in May 2021, IMAC held its regular meetings virtually on 4-6 October 2021 and on 14-16 February 2022, and physically on 11-13 July 2022, with arrangements for remote participation. An additional formal virtual meeting took place on 14 September 2022, to review the External Auditor's report on the 2021 Financial Statements.

1.6. Due to the compressed timing of the IMAC virtual meetings and the need to follow-up on specific issues in IMAC's responsibility, the Committee's members held several additional meetings in the 2021/2022 period. A designated member of the Committee, Mr. Henrique Schneider had 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; the Chair of IMAC held several meetings with ITU management, the External Auditors (Corte dei Conti) and the new appointed Auditors from the UK National Audit Office during his presence in Geneva for the 2022 session of Council in March 2022; and virtual briefings also took place in June 2022.

1.7. Since its last annual activity report to the Council in 2021, the Committee has engaged with all areas of its responsibilities, with a special focus on internal audit; risk management; internal control; evaluation; ethics; the financial statements and financial reporting; and external audit.

1.8. 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 of the [ITU public website](#), accessible also via the ITU Council web page.

1.9. 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 in the relevant sections of this report.

2. STATUS OF IMAC RECOMMENDATIONS

2.1. In keeping with its standard practice, and to assist the Council on the follow-up of actions taken in response to IMAC's recommendations, IMAC reviewed the implementation status of its previous recommendations. An update is presented at Annex 1.

2.2. Up to now, more than 90% of the IMAC recommendations have been implemented (56 out of 62 recommendations), while 6 recommendations (less than 10%) remain in progress with the Secretariat.

3. DEVELOPMENT OF THE ITU STRATEGIC PLAN

3.1. IMAC received briefings from the Strategy and Planning Division on the process of the elaboration of the ITU Strategic Plan for the period 2024-2027.

3.2. Following the 2022 Session of Council in March, the Committee also had the opportunity to review the Draft Strategic Plan to provide comments, as per Council's invitation.

3.3. Overall, the Committee found the draft Strategic Plan to be well developed and commended positively the cross-sectoral approach of the strategic framework as well as its intended operational tracking with key performance indicators, which is in line with previous advice from IMAC.

3.4. The Committee reviewed the content of the draft Strategic Plan and the proposed components of the strategic framework. Considering the rapid and dynamic development of the ICTs, it is IMAC's view that ITU should consider cyber-security as a very important issue and element of the organization's work.

3.5. The Committee also noted the use of the term 'economic growth' in the draft Strategic Plan, suggesting that the Union should aim for 'prosperity' instead, which considers not only economic growth as reflected by statistical data, but also a holistic approach that encompasses economic well-being and a sustainable environment.

3.6. IMAC finally emphasized the importance for ITU management to already start considering the managerial implementation of the new Strategic Plan.

4. FINANCIAL MANAGEMENT

4.1. IMAC continued to monitor key financial management issues and discuss developments with the Financial Resources Management Department.

4.2. In particular, the Committee received briefings on the process of the elaboration of the draft Financial Plan for 2024-2027 as well as the developments on the budget implementation.

4.3. IMAC discussed with ITU management the challenges in the development of the financial plan regarding the activities and requests for resources for which funding has not yet been identified, as well as the decrease on the revenue side for 2021-2022 which resulted in no savings during the previous budget implementation.

4.4. The Committee will be closely monitoring the situation of the organization in terms of the availability of financial resources, as well as the projections and allocation of resources within the subsequent budget framework.

4.5. The Committee also discussed the difference on the discount/interest rates in the financial statements, noting the consequences this has in the financial situation of the organization, and the need to manage further versatility.

4.6. The Committee discussed the conclusions of the Special Assignment commissioned by the Secretary-General to provide further analytical follow up to the Bangkok Fraud Case which was uncovered in 2018. The Committee appreciated that that the full perimeter of the fraud scope was identified and quantified with further lessons learned. The Committee noted that remedy is being considered to address the disclosed shortcomings of previous forensic efforts.

5. ITU HQ BUILDING PROJECT

5.1. IMAC continued to receive regular briefings on the progress and developments of the ITU Headquarters building project from the Head of the Facilities Management and Building Project Division. IMAC is pleased to note that the project implementation so far has been under control.

5.2. Given the magnitude of the project and the risks involved in implementation of the project and the technical challenges such a project will pose, IMAC reiterated the need to strengthen technical capacity in the project governance and oversight structures. This would be achieved by including an experienced technical resource to provide effective oversight of the project and ‘challenge’ the resources involved in the implementation of the project.

5.3. In terms of audit capacity, the Committee acknowledged the audit report of the ITU new Headquarters Project conducted by the Internal Audit Unit and continued to advise for regular audits by suitably enhancing the necessary technical capacity required for such Audits when the project implementation starts.

5.4. IMAC raised a flag on possible developments in prices and schedule, due to global inflation and supply chain challenges, which pose a risk of cost overruns and delays in the implementation. The management must factor these emerging risks and plan for mitigation of such risks.

5.5. IMAC also draws the attention of ITU management and Council to the concerns raised in the 2021 External Audit report regarding possible risks related to the new ITU HQ project.

5.6. IMAC will continue to monitor progress, given the importance of the project and the risks involved.

Recommendation 2¹ (2022): IMAC recommends strengthening technical capacity in the governance and oversight structures of the ITU HQ building project, by including an experienced technical resource to provide effective oversight of the project and challenge the resources involved in the implementation of the project.

6. PROCUREMENT

6.1. IMAC engaged with the new Head of the Procurement Division and received a briefing on the overall status of the procurement function in the ITU, the operational challenges, the progress on the revision of the procurement manual and the process to strengthen the training of the staff in the regional offices.

7. INTERNAL AUDIT

7.1. IMAC continued to advise on and engage with the internal audit function. The Committee received regular briefings from the Head of the Internal Audit Unit, on the planning and the status of work of Internal Audit.

7.2. IMAC had previously recommended in its 2020 Annual Report to Council, that the Internal Audit Unit needs to be considerably strengthened from a resource point of view, coverage, and adequacy of processes.

¹ IMAC’s Recommendation 1 (2022) is included in document C22/22 recommending 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*”.

7.3. The Committee therefore appreciated the progress observed in this area, by strengthening with appropriate resources the Internal Audit Unit. IMAC is looking forward to the prompt fulfilment of all the posts, so that all focus is given to direct audit work.

7.4. IMAC had the opportunity to review the following audit reports since its last annual report to Council 2021:

- the Inspection of Employees Entitlements,
- the Audit of Programmes, Projects, and Supplementary Activities (PPSA) funded by Voluntary Contributions and Funds,
- the Audit of the ITU new Headquarters Project, and
- the Internal Audit Report on Environmental Management System.

7.5. IMAC highlighted the importance of the key findings of the reports and emphasized the necessity to take up the Recommendations with ITU management as well as look at the follow-up actions for their implementation.

7.6. IMAC encourages ITU management to continue working on the right direction in strengthening the Internal Audit Unit from a resource point of view, its coverage, and the adequacy of its processes.

7.7. IMAC supports ongoing efforts to update the internal audit charter. This should offer an opportunity to better define internal audit purpose, authority, responsibility, independence and position within ITU.

8. ETHICS

8.1. IMAC continued engaging with the Ethics Officer and receiving regular briefings, discussing the developments and progress of work, in particular the handling of the financial disclosure statements from all staff, the focus to strengthen the frameworks and the ongoing training efforts, as well as the role of Ethics Office in the intake and handling of preliminary reviews of allegations concerning misconduct.

8.2. The Committee appreciated the work of the Office and has highlighted the importance of mandatory annual trainings for all staff.

8.3. IMAC also discussed the role of the Ethics Office in conducting preliminary reviews of reported allegations, advising that the approach to this issue be considered collectively when designing the overall ITU oversight framework.

Recommendation 3 (2022): IMAC recommends that mandatory ethics-related trainings be conducted on an annual basis, in order to ensure constant awareness and building of an ethics culture, making this a yearly learning for all staff.

9. INVESTIGATION FUNCTION

9.1. IMAC has followed up on the establishment of the investigation function -having pointed out the need to have a dedicated resource on investigation at its 9th Annual Report to Council 2020.

9.2. The Committee engaged with and received a briefing from the Head of the Investigation Unit, on the number of investigation cases, as well as the newly operational case management system, a courtesy of WIPO, which has been adapted and tailored to the ITU requirements.

9.3. IMAC was informed that an investigation charter has also been drafted, and the pending issues were raised by the investigation unit on the following topics: *a)* the role of the Oversight Committee vis-à-vis the investigation unit; *b)* the independence of the investigation function when it comes to the decision to open an investigation; and *c)* the control of the investigation function over the entire process, including the intake of the investigations.

9.4. IMAC highlighted the importance of setting up a proper governance framework for the function, to be defined in an Investigation Charter, as a matter of priority, and in alignment with the required updates of the Charters of the other related internal functions.

10. ALIGNMENT AND COORDINATION OF INTERNAL OVERSIGHT FUNCTIONS

10.1. IMAC has been regularly engaging and receiving briefings from all the internal functions and units related to oversight (internal audit, ethics, and investigations). The Committee expressed the view that the establishment of aligned Charters will enable the units to perform their functions and coordinate their activities and will define the boundaries of their respective actions.

10.2. The Committee has therefore identified the need to develop and align the Charters of all the related functions (i.e., Internal Audit, Ethics, and Investigation).

Recommendation 4 (2022): IMAC recommends that the ITU ensure the alignment and completion of the Charters of the internal functions of internal audit, investigation, and ethics.

Recommendation 5 (2022): IMAC recommends that the ITU ensure the coordination of the activities of the units of internal audit, investigation, and ethics.

11. WORKING GROUP ON INTERNAL CONTROLS

11.1. The Committee continued to receive briefings on all the follow-up actions resulted from the fraud case in a regional office, from the Chair of the Working Group on Internal Controls (WGIC) - the Director of the Telecommunication Development Bureau (BDT), and the senior management team comprising the group.

11.2. IMAC has previously appreciated the plan put forward by the group, and the significant mobilization of resources across various entities of the secretariat, supporting a considerable amount of work, with all the actions moving in the right direction.

11.3. The Committee was pleased to see substantial progress in improving internal controls, established at the BDT, and reiterated the need for all these controls to be applied on an organization-wide scale.

11.4. IMAC noted that the Internal Audit assessment of the effectiveness of the actions implemented by the group was finalized, and fed into the final conclusions of the External Auditors.

11.5. IMAC was pleased to see the results of the assessment and the effective implementation of the activities of the group, representing a major step towards the closure of the fraud case and the deficiencies previously identified.

11.6. The Committee highlighted the need to see traction in the implementation of the ITU accountability framework, ensuring that there is an implementation plan focusing on reinforcing the culture of accountability throughout the organization. IMAC highlighted the need to ensure buy-in which will result from the dissemination of the culture of accountability, through training and integration into the supporting systems, including reflection in the Enterprise Resource Planning and Management Integrated System (ERP). A well-integrated accountability framework would contribute to the reduction of risks, by enhancing awareness and clarity. IMAC recommends the development of an implementation plan that could be monitored, with special attention to be provided to the regional offices, which should be incorporated in the process.

11.7. IMAC requested a specific update on the future of this working group at the next IMAC meeting, on how the work of the group will be brought forward to ensure continuous improvements of internal controls and the risk management process.

Recommendation 6 (2022): IMAC recommends that the implementation of the accountability framework be focused on the dissemination of the culture of accountability, ensuring buy-in through appropriate trainings and integration into the support systems, while being reflected in the ERP system, ensuring efficiency and a well-integrated framework, including the regional offices, to ensure reduction of risks.

12. INTRODUCTION WITH THE NEW EXTERNAL AUDITORS: UK NATIONAL AUDIT OFFICE

12.1. IMAC engaged with the new External Auditors, receiving a briefing from the UK National Audit Office. The Auditors presented their experience and approach to the audit work and explained in depth the methodology for the audit of the ITU. IMAC expressed its own expectations in terms of timeline for the reports.

12.2. IMAC was pleased to see how the auditors presented their plan, and in particular their focus to evaluate the effectiveness and efficiency of the ITU work. The Committee also noted with satisfaction the appropriate use of data and analytics and encouraged also the ITU to leverage such tools to have better insights, in particular on financial aspects, strengthening its second line of defense.

12.3. Regarding the outgoing External Auditors (Corte dei Conti), the Committee noted the extreme importance of timely providing all necessary documentation to the new External Auditors, and encouraged them to review their open recommendations, in order for those implemented to be suitable closed.

12.4. IMAC also had a productive tripartite meeting with the Internal Audit and the new External Auditors, discussing the need for a good collaboration between the two, and addressing issues such as the respective roles in terms of auditing capacity for the HQ building construction project, clarifying the role of the External Auditor.

12.5. IMAC was also pleased to note the commitment from the new External Auditors to look into the ITU's regional presence sooner rather than later, in terms of understanding the business and conducting a risk assessment.

13. EXTERNAL AUDITORS (CORTE DEI CONTI)

13.1. IMAC has conducted several formal and informal exchanges with the External Auditors, discussing the progress of the External Auditor's reports and their main findings, including a meeting after the completion of their latest report before the final session of Council at PP-22. The External Auditor's report for the 2021 Financial Statements is the last report to be produced by Corte dei Conti for their term in the ITU.

13.2. IMAC appreciated the outcome of the report on the 2021 Financial Statements and was pleased to note that an unqualified audit opinion was concluded by the External Auditors.

13.3. The External Auditor's Report for 2021 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).

13.4. IMAC commends the External Auditor's Report and audit recommendations to the Council's priority attention.

13.5. IMAC also noted the special report on the Audit of the Regional Office for the Americas, where Corte dei Conti visited Brasilia and issued a series of twenty-three (23) recommendations aimed at enhancing internal controls.

13.6. In terms of the transition phase to the new team of External Auditors (the UK National Audit Office), IMAC underlined the strict timeline and advised that a clear handover/takeover plan is needed, in terms of documents to be shared and follow-up to the previous External Auditor's recommendations.

13.7. As mentioned in 12.3, the Committee noted the extreme importance of timely providing all necessary documentation to the new External Auditors, and encouraged them to review their open recommendations, in order for those implemented to be suitably closed.

13.8. Given that 2021 is the last year of audit for Corte dei Conti, Italy, IMAC would like to recognize all the efforts of the outgoing External Auditors and to compliment on their work and the high-quality interactions with IMAC, while also recognizing the attention and engagement of the Secretary-General for his willingness to engage his time and resources in the process, as well as the ITU management team for their collaboration and efforts.

14. EVALUATION FUNCTION

14.1. IMAC had previously highlighted the importance of the evaluation function, and the need for the organization to pursue it in a more focused way, strengthening the evaluation culture across the organization, and gradually making evaluation part of every major initiative and project.

14.2. The Committee will continue to engage with the ITU management in the future on developments in this area.

15. ENGAGEMENT WITH ITU MANAGEMENT / OTHER MATTERS

15.1. In accordance with its established practice, IMAC continued to engage with the ITU Secretary-General on the Committee meeting's deliberations and observations. IMAC noted the

