
Agenda item: ADM 8

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Report by the Secretary-General

SEVENTH ANNUAL 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). A supplementary report relating to External Audit, will be submitted after the following IMAC meeting in June 2018.

Houlin ZHAO
Secretary-General

SEVENTH ANNUAL REPORT OF THE INDEPENDENT MANAGEMENT ADVISORY COMMITTEE (IMAC)

Summary

This document presents the annual report of the Independent Management Advisory Committee (IMAC) to the ITU Council. It contains conclusions and recommendations for the Council's consideration in the areas of internal audit function, risk management and internal controls, financial statements, accounting, external audit and evaluation, in compliance with IMAC's terms of reference.

This report also includes a self-assessment of the Committee (Annex 2); and proposals to improve the IMAC Terms of Reference consistent with good practice (Annex 3).

This seventh annual report by IMAC to the ITU Council provides an update on the Committee's coverage and activity since May 2017 and presents specific recommendations intended to improve the oversight, internal control and governance arrangements to better meet the organisation's current needs.

A supplementary report relating to External Audit, will be submitted when the External Auditor's report on the financial statements for 2017 is available.

Action required

The Council is invited **to approve** the IMAC report and its recommendations and **submit** to the Plenipotentiary Conference the proposed amendments to the terms of reference included in Annex 3 to this report.

References

[Resolution 162](#) (Rev. Busan, 2014); Council [Decision 587](#);
Documents: [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)

1 Introduction

1.1 IMAC serves in an 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.

1.2 IMAC currently comprises the following members:

- Dr. Beate Degen (Chairperson)
- Mr. Abdessalam El Harouchy
- Mr. Graham Miller
- Mr. Kamlesh Vikamsey

1.3 Following the resignation of Ms. Aline Vienneau for personal reasons, the Council is to appoint a replacement.

1.4 The Committee elected Dr. Beate Degen as a Chairperson for the 2 year period 2018-2019.

1.5 Since IMAC's sixth annual report (Document [C17/22](#)) submitted to the 2017 Session of the Council, IMAC met on 22-24 November 2017 and 19-21 March 2018. The findings of the November and March meetings have been consolidated in this seventh annual report to the Council. 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.

1.6 IMAC meetings attendance: Dr. Degen, Mr. Miller and Mr. Vikamsey attended both meetings of the committee, Mr. El Harouchy attended the November 2017 meeting.

1.7 Since its last annual report to the Council in 2017, IMAC engaged with all areas of its responsibilities, including internal audit; risk management; internal control; evaluation; ethics; the audited financial statements and financial reporting; and external audit.

1.8 The Chair of IMAC actively participated via videoconference in the Council Working Group on Financial and Human Resources (CWG-FHR) meeting on 22 January 2018, briefing the group on matters relating to the Committee's areas of responsibility.

1.9 In the course of its meetings, IMAC held substantive discussions with the Secretary-General and Deputy Secretary-General, the Financial Resources Management Department, the Ethics Officer, the Internal Auditor, the External Auditor, the Strategic Planning and Membership Department and other management representatives as appropriate.

1.10 Annex 2 to this report presents a self-assessment of the Committee.

1.11 Annex 3 includes the Committee's proposed amendments to the terms of reference (ToRs) of IMAC, according to the provisions of paragraph 6 of the ToRs (Annex to Resolution 162 (Rev. Busan, 2014)), for Council's approval and submission to the Plenipotentiary Conference.

2 Follow-up of IMAC's sixth annual report to the Council in 2017 and status of IMAC recommendations

2.1 To assist the Council on the follow-up of action taken in response to IMAC's recommendations, IMAC reviewed the implementation status of its previous recommendations, which is presented in Annex 1.

2.2 The Committee commends the actions taken by management to implement IMAC recommendations.

3 Main issues discussed, conclusions and recommendations for 2018

Financial management

3.1 IMAC continued to review the developments in financial planning and management matters, leading up to the financial reporting, on which the External Auditor's report is still awaited.

3.2 The Committee provided advice to management on the proposed Statement of Internal Control for 2017 and Management Report, which will accompany the Financial Operating Report to Council.

3.3 IMAC continued to monitor developments within the UN system in relation to After Service Health Insurance (ASHI), where the ITU currently has significant unfunded liabilities. In its Recommendation 4/2016, IMAC advised ITU management to establish a plan for funding these liabilities for the future. The Panel of External Auditors of United Nations, the Specialized Agencies and the International Atomic Energy Agency, has also recently recommended that all UN entities should put in place a long term funding strategy for employee benefit liabilities.

3.4 IMAC was informed about new procedures to improve cash management implemented in the Regional Offices.

3.5 The development of a procurement manual and appropriate arrangements is being taken forward, to reflect best practice from comparable organizations.

Recommendation 1 (2018): IMAC recommends to finalize and implement the procurement manual at the earliest date possible, ensuring as well previous recommendations made i.e. in Internal Audit reports, are incorporated.

Risk management

3.6 IMAC continues to monitor and provide advice on the developing arrangements for risk management.

3.7 IMAC acknowledges and appreciates the development of a comprehensive Strengths, Weaknesses, Opportunities and Threats (SWOT) analysis, helping the organization to formulate a risk-based and sustainable strategy.

3.8 IMAC remains concerned about the major risks that arise from the impending high level of potential staff retirees, and the need for proactive succession planning across all Sectors of the ITU. IMAC referred to this in its previous report to Council (paragraph 3.14 of the IMAC 6th Annual Report

to Council) and the External Auditor's report to the 2017 Session of Council also referred to these challenges.

3.9 IMAC believes it is essential for ITU to be in a position to drive a 'fit-for-purpose' organization, which addresses the future needs and skills that the organization will require. These will be significantly different from those that have sufficed up to now. This is essential in the fast changing environment and increasing resource considerations that the organization faces.

Recommendation 2 (2018): IMAC recommends that ITU move towards an alignment of the operating model, people strategy and focus areas, with the Union's strategic vision. This will ensure ITU has a fit-for-purpose organization given the speed of digitalization and the development of the information society. IMAC remains available for advice.

External audit

3.10 IMAC continues to engage with the External Auditor on a regular basis. At each meeting, IMAC conducted a closed session with the External Auditor.

3.11 IMAC notes that for 2018 the External Auditor's report on the financial statements will be presented to the special Council session immediately preceding the Plenipotentiary Conference in Dubai in October. IMAC will therefore submit a supplementary report to the special Council Session, which will address the areas covered by the External Auditor's report.

3.12 For 2018 the organization needs to initiate a selection process for the External Audit appointment from 2019. This process will be led by an appraisal committee of Member States, which will evaluate candidatures and make recommendations to the Council. While the selection and appointment of external auditors is a matter for the Council and Member States, IMAC's Terms of Reference provide for the committee to advise on the appropriate selection process and evaluation criteria, including the costs and scope of the services to be provided. As a matter of best practice IMAC invites the secretariat and the appraisal committee to consult with IMAC as appropriate.

Internal audit

3.13 IMAC reviewed the planning and progress of internal audit activities, and reviewed the results of the 2017/2018 audit reports.

3.14 IMAC reviewed the following Internal Audit reports:

- Audit of Access Security of SAP ECC and CRM Module
- Audit of Sponsorship Arrangements in ITU
- Audit of Facilities Management
- Advisory Report on Service Level Agreements
- Audit of Financial Transactions Data
- ITU Evaluation Study.

3.15 In the usual way, IAU is submitting an Annual Report on Internal Audit activities to the Council ([C18/44](#)). This is a comprehensive report, providing details and information on control

deficiencies, areas requiring improvement and remedial actions. IMAC commends the Internal Audit Annual Report to Council's attention.

3.16 IMAC continues to have concerns that some areas subject to internal audit do not represent the best or most appropriate use of internal audit resources. Subjects such as use of paper, gender mainstreaming and document translation consume a considerable amount of audit resources and time, but do not present significant audit risks. Such subjects could be reviewed effectively by other management functions, rather than requiring professional audit expertise, particularly given the limited resources available for internal audit oversight.

3.17 Internal Audit monitors the status of IA recommendations. IMAC remains concerned that many agreed recommendations, including a number of high priority recommendations, remain in progress and un-implemented over a period of years. IMAC reiterates the importance of management providing deadlines or timelines for the agreed recommendations.

3.18 IMAC noted the recruitment of a new resource for Internal Audit (a P3 post) from September 2017.

3.19 IMAC noted the feasibility study on evaluation carried out by external evaluation specialists, which was coordinated by Internal Audit. Internal Audit are proceeding in 2018 to conduct a pilot project on evaluation. It is IMAC's view that it will be important that any evaluation function and activities within ITU should be appropriate to the nature and size of the organization itself. There should be a discrete budget provided for any evaluation activities in the future (since this cannot be undertaken within the existing budget for Internal Audit). An evaluation function requires different expertise and skills than those available in Internal Audit, and evaluation needs to be an independent and discrete activity, even if it is co-located with Internal Audit.

<p>Recommendation 3 (2018): IMAC recommends that management responsiveness in implementing agreed Internal Audit recommendations needs to be speeded up.</p>

Ethics

3.20 IMAC noted the annual report of activities of the Ethics Office to Council ([C18/52](#)).

3.21 IMAC highlights the importance of the process for financial disclosure as an important tool for identifying potential conflicts of interest and helping staff resolve such issues. This process has not been significantly revised since it was originally established in 2011.

3.22 IMAC noted that the Ethics Officer post will soon fall vacant and that management is in the process of identifying a successor. IMAC encourages management to fill the vacancy promptly.

Compliance and fraud risk management

3.23 IMAC provided advice to the secretariat, including the Head of the Legal Affairs Unit, the Ethics Officer, the Chief of the Financial Resources Management Department, the Head of Procurement, and the Internal Auditor towards developing ITU's arrangements in relation to compliance and fraud management.

3.24 Most recently, IMAC noted and reviewed the development of a draft Policy Against Fraud, Corruption and Other Proscribed Practices; and draft Investigation Guidelines for the ITU. IMAC also

note the prominent role foreseen for the ethics function in the anti-fraud arrangements, fraud reporting and carrying out initial investigations.

3.25 IMAC was asked to advise on the appropriate arrangements that should apply if any allegations were raised in relation to the Secretary-General, which have to be reported to the Chair of Council. The responsible party for reporting to the Chair of the Council could be either the Ethics Officer (to whom all allegations should be reported under the policy), or the Head of Internal Audit (who has a relatively independent position within the secretariat), or the Deputy Secretary-General (as the second most senior official in the organization), or the Chair of IMAC (who is completely independent from management and has been appointed by Council).

3.26 IMAC will remain in consultation with the relevant parties to provide further advice as appropriate.

ITU Headquarters construction project

3.27 IMAC has continued to receive briefings and provide advice on the progress of the HQ premises construction project.

3.28 The project is proceeding on schedule and to budget; and IMAC will continue to monitor progress and provide advice on an ongoing basis.

3.29 The Committee encourages ITU management to continue the positive work in this topic and supports ITU's plans to seek for external advice (referring to IMAC Recommendation 13/2016).

4 Other matters

4.1 IMAC will next meet in June 2018.

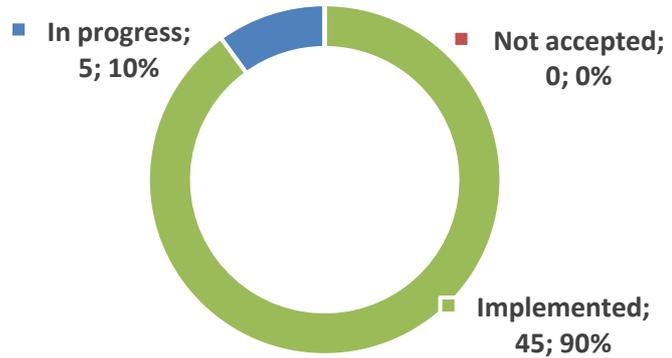
4.2 IMAC members wish to express their continuing appreciation to Member States, the CWG-FHR, the Secretary-General, the Deputy Secretary-General and ITU officials for their support, cooperation and positive attitude in supporting the effective functioning of the Committee.

4.3 IMAC's membership, responsibilities, terms of reference and reports are available on the IMAC area of ITU's public website: <http://www.itu.int/en/council/Pages/imac.aspx>.

ANNEX 1: STATISTICS ON IMPLEMENTATION OF IMAC RECOMMENDATIONS

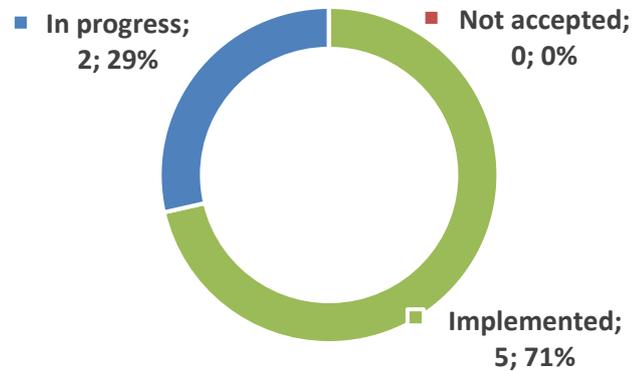
All IMAC Recommendations 2012-2017

Overall status of IMAC Recs. 2012-2017	No.	%
Total	50	100
Implemented	45	90
In progress	5	10
Not accepted	0	0



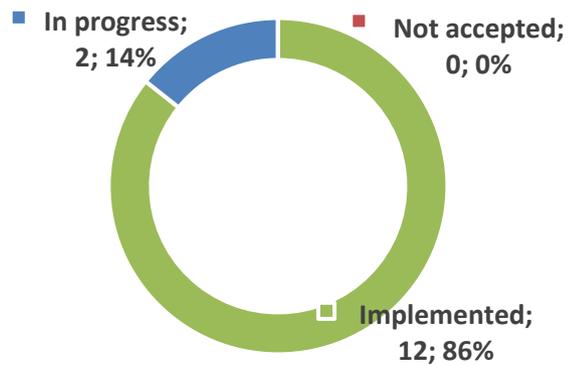
IMAC Recommendations 2017

Status of 2017 IMAC Recommendations	No.	%
Total	7	100
Implemented	5	71
In progress	2	29
Not accepted	0	0

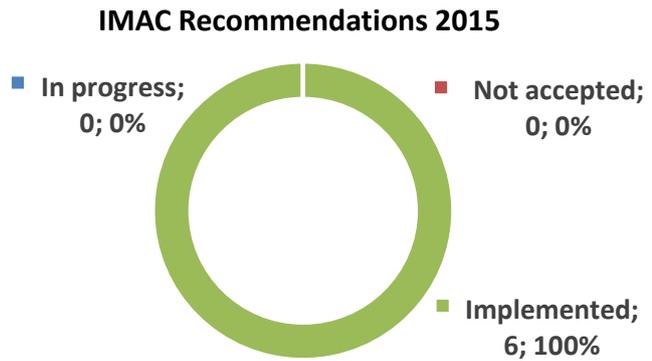


IMAC Recommendations 2016

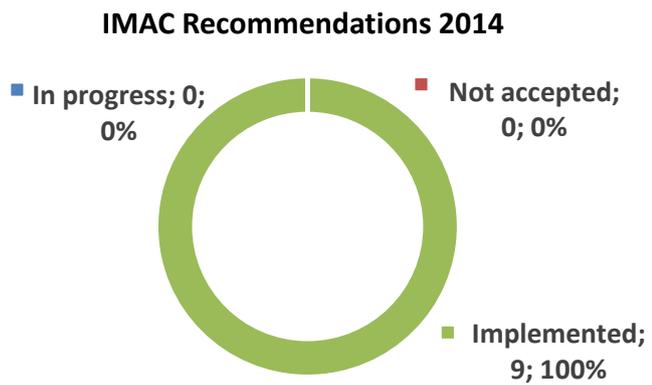
Status of 2016 IMAC Recommendations	No.	%
Total	14	100
Implemented	12	86
In progress	2	14
Not accepted	0	0



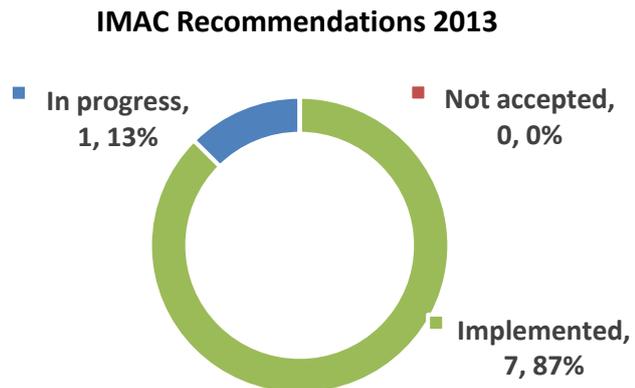
Status of 2015 IMAC Recommendations	No.	%
Total	6	100
Implemented	6	100
In progress	0	0
Not accepted	0	0



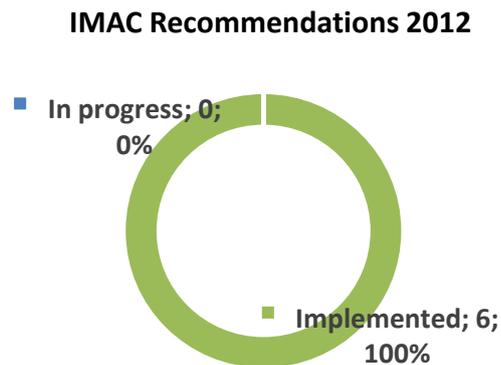
Status of 2014 IMAC Recommendations	No.	%
Total	9	100
Implemented	9	100
In progress	0	0
Not accepted	0	0



Status of 2013 IMAC Recommendations	No.	%
Total	8	100
Implemented	7	87
In progress	1	13
Not accepted	0	0



Status of 2012 IMAC Recommendations	No.	%
Total	6	100
Implemented	6	100
In progress	0	0
Not accepted	0	0



ANNEX 2: ITU IMAC SELF-ASSESSMENT CHECKLIST

ITU Independent Management Advisory Committee (IMAC)

**SELF-ASSESSMENT
CHECKLIST**

(In order to reflect good practice and generally accepted principles, the content and format of this evaluation draws on independent external and public sector templates, as also adapted and used in similar equivalent committees in a number of other United Nations entities e.g. WHO, WMO, WFP.)

March 2018

GOOD PRACTICE QUESTIONS	RESPONSE / ACTIONS REQUIRED
1. Relationships and Communication	
With the Council	
Is the IMAC a committee of the Council?	Yes (Resolution 162)
Does the Committee follow up relevant recommendations agreed by the Council?	As appropriate to IMAC's remit
Does the Chair have open lines of communication with the Council?	Yes via Council attendance, Council Chair and CWG FHR
Does the Committee periodically obtain assurance from the Council on the effectiveness of the IMAC?	IMAC established on an ongoing basis by PP-14
Does the Committee make a formal annual report on its own effectiveness to the Council?	Addressed via reporting to Council
Do the Council agendas include a regular report from the IMAC?	Yes
Does the Report from the IMAC communicate recommendations to and/or for the Council?	Yes, as appropriate
Are outline agendas, without supporting papers, or alternative information made available to Council members to keep them up-to-date with the IMAC's work?	Yes via SharePoint, Council Chair and CWG FHR
Does the Council receive the minutes or records of IMAC meetings?	Yes, as above
Does the Chair/the Committee meet with the Executive Head (Secretary General) and the Finance Director bilaterally at least once a year?	Yes, each meeting
With Internal Audit	
Does the Chair/the Committee have open lines of communication with the Head of Internal Audit (chief audit executive)?	Yes, each IMAC meeting
Does the Committee periodically seek the views of internal audit on the work and effectiveness of the IMAC?	Informally in regular open exchange with IAU.
Does the Chair/the Committee meet separately (in closed session) with the Head of Internal Audit at least once a year?	Yes
Does the Committee review/take note of the internal audit plan and audit reports?	Yes
Does the Committee review the scope and remit of internal audit in the organisation?	Yes
Does the Committee consider whether the scope of internal audit work addresses the significant risks?	Yes
Does the Committee examine individual terms of reference for internal audit's work?	As applicable
Does the Committee consider the experience and expertise of the audit team?	Yes

GOOD PRACTICE QUESTIONS	RESPONSE / ACTIONS REQUIRED
Does the Committee monitor internal audit’s progress in undergoing quality assurance or peer review procedures?	Yes
Does the Committee monitor whether internal audit is working to professional standards relevant to the organisation?	Yes
Does the Committee monitor whether internal audit have the resources and right people with relevant expertise to carry out its remit?	Yes
Is the Committee Secretary role separate from internal audit?	Yes
Between internal and external audit	
Does the IMAC monitor the effectiveness of relationships between internal and external auditors?	Yes
Does the Committee consider whether internal and external audit have communicated and coordinated audit plans?	Yes
Does the Committee consider whether external audit places reliance on the work of internal audit?	Yes (no formal reliance placed by EA on IA)
Does the Committee discuss whether there are areas where joint working would be beneficial?	Yes, in physical meetings, and through review of reports and plans
Does the Committee consider whether all audit services are joined up, including in-house operational audits?	Yes, implicit
Does the Committee expect internal and external auditors to communicate effectively with each other about understanding key business and operational risks, their assessments of risk areas and how their work will cover these key risk areas?	Yes
Does the Committee communicate this expectation to internal and external audit?	Where appropriate
Does the Committee require an annual report from internal and external audit on the extent of planned and actual co-operation between them?	Not expressly but cooperation is reviewed and discussed.
With External Audit	
Does the Chair/IMAC have open lines of communication with external audit?	Yes
Does the Committee periodically obtain the views of external audit on the work and effectiveness of the IMAC?	N/A
Does the Chair/the Committee meet separately (in closed session) with external audit at least once a year?	Yes
Does the Committee’s advisory role include participation in the external audit appointment process?	Under discussion for the current appointment
Does the Committee consider the experience and expertise of the external audit team?	As applicable

GOOD PRACTICE QUESTIONS	RESPONSE / ACTIONS REQUIRED
Does the Committee consider whether the external audit Director/Partner will spend sufficient time on the audit and whether time to be spent by other audit staff seems reasonable?	As applicable
Does the Committee monitor external audit compliance with applicable ethics guidance relating to the rotation of audit Directors/Partners?	As applicable
Does the Committee review the external audit plans and management letters?	Yes, IMAC review EA plans and outputs including MLs
Does the Committee seek specific assurance regarding external audit's quality assurance procedures when considering the audit strategy?	Yes
Do the external auditors inform the Committee of key developments and issues at key stages of the audit?	Yes, through regular updates from EA at each IMAC meeting
Does the Committee make suggestions to external audit regarding risk and problem areas the audit could address?	Discussed during the IMAC meetings
Does the Committee consider whether external audit focuses on the fundamental issues?	As appropriate, in discussion during IMAC meetings with External Audit
Does the Committee consider whether the external auditors have delivered fully against their plans?	Yes, through discussion and review of outputs, etc.
Does the Committee monitor the performance of external audit?	Through discussion of work and outputs
Does the Committee review audit fees?	N/A
Communication with stakeholders	
Does the Chair/IMAC have open lines of communication with stakeholders?	Yes
Is the Committee's membership published in the organisation's Annual Report?	No, however IMAC membership and reports are posted on ITU's public website.
Does the Annual Report contain a section on the roles and responsibilities of the IMAC and actions taken to discharge those responsibilities?	No
2. Business Risk and Internal Control	
Assessing the scope and work of Internal and External Audit	
Does the IMAC review whether the organisation's main risk areas are being addressed by internal and external audit?	Yes

GOOD PRACTICE QUESTIONS	RESPONSE / ACTIONS REQUIRED
Monitoring risk management arrangements	
Does the IMAC's role include monitoring the effectiveness of the organisation's processes for assessing business risks and the financial implications?	Yes via review of risk management infrastructure
Does the Committee ensure that internal and external auditors report to them on what they perceive as the key risks currently and in the short and long-term?	Yes
Do senior executives report to the Committee on how key business risks and their financial implications are being dealt with?	Strategic Risk monitoring arrangements are work in progress.
Do internal and external audit comment on any Council reports on how key business risks are being dealt with?	See above
Is the Committee involved in reviewing the effectiveness of internal control?	Yes
Does the Committee consider whether corporate governance is treated as a compliance exercise or is being used to provide benefit to the organisation?	Yes
Does the Committee consider whether the system of internal reporting gives early warning of control failures and emerging risks?	To be pursued
Does the Committee consider whether responsibility for each of the significant risks is sufficiently assigned to and owned by the appropriate senior official and members of the Council?	Strategic risks re-assessed in the new strategic plan of the organization and mitigation measures have been identified
Does the Committee consider the need to raise the awareness of junior staff to the importance of risk management?	See above
Statement on Internal Control and assurance from Internal and External Audit	
Does the IMAC consider how meaningful the SIC is?	Yes
Does the Committee consider whether the SIC discloses adequately the processes for dealing with material internal control aspects of any significant problems disclosed in the annual report and accounts?	Yes
Does the Committee take a view on the SIC?	Yes
Does the Committee ensure that they receive from internal and external audit details on the operation of internal control, including any failures to implement recommendations accepted by the Council?	Yes, indirectly
Does the Committee take a view on whether the system of internal control has operated effectively throughout the reporting period?	Informally

GOOD PRACTICE QUESTIONS	RESPONSE / ACTIONS REQUIRED
Fraud	
Does the IMAC consider whether effective anti-fraud and corruption policies and procedures are in place and operating efficiently?	Yes
Does the Committee consider whether arrangements have been established to deal with situations of suspected or actual fraud?	Yes
Does the Committee consider whether there is a code of conduct and whether it is properly distributed to employees?	Yes
Does the Committee consider whether a whistle blowers' hotline is required?	Yes
3. Roles and Remit	
Terms of Reference, roles and responsibilities	
Are the IMAC Terms of Reference approved by the Council?	Yes
Are the Terms of Reference reviewed at least annually?	Periodic review by IMAC and every 4 years by the ITU PP
Do the Terms of Reference adequately define the Committee's role and provide it with sufficient membership, authority, time and resources to perform its role effectively?	Yes, subject to formal review
Does the Committee consider the impact on their workload of changes to their role?	Not yet applicable
Does the role of the Committee include review of business risk and internal control, independence and effectiveness of internal and external audit, maintenance of proper accounting records and quality of financial statements, policies against fraud, implementation of new systems, relevant tax and litigation matters involving uncertainty, compliance with laws and regulations?	No restriction placed on discussion or review
Does the Committee's role include obtaining assurances relating to the corporate governance requirements for the organisation?	In the course of the committee's oversight work
Are the Terms of Reference consistent with accepted good practice?	In most respects (revisions being proposed to Council and PP)
4. Meetings	
Frequency	
Does the Committee meet sufficiently often to monitor important issues?	Yes
Do the Terms of Reference set out the frequency of meetings?	Yes
Does the Committee's calendar meet the organisation's business needs, governance needs and the financial calendar?	Yes

GOOD PRACTICE QUESTIONS	RESPONSE / ACTIONS REQUIRED
Is there an adequate number of meetings a year e.g. 4, or 3 for smaller organisations?	Yes – 3
Can special meetings be organised to allow quick response to emergencies?	Yes, if needed
Timing and length	
Do the Terms of Reference set out the timing of meetings?	N/A
Are the meetings set for a length of time which allows all business to be conducted, yet is not so long that the meeting becomes ineffective?	Yes
Agenda management	
Does the Chair encourage full and open discussion and invite questions?	Yes
Are outline agendas planned ahead to cover issues on a cyclical basis?	Yes
Is the Council Secretary also the IMAC Secretary?	No
Attendance	
Do the IMAC Terms of Reference include rules for a quorum?	Yes
Are attendance records maintained and reviewed annually by the Council?	Not needed – IMAC’s reports provide info.
Timing and content of IMAC papers	
Does management reporting to the IMAC communicate relevant information at the right frequency, time, and in a format that is effective?	Yes, generally
Are agendas and supporting papers, together with brief executive summaries of papers, issued to all Committee members, internal audit and external audit, giving them at least a week to consider the papers in advance?	As appropriate
Are there oral reports to the Committee, supported by succinct, easy to read documents and presentations as appropriate?	Yes
Does the Committee issue guidelines on the format and content of the papers to be presented to the Committee?	No, but guidance provided on request or where needed
Is there a pro-forma for written reports to ensure focus on salient matters, clear recommendations, a timescale for completion, and the individuals responsible for implementation?	N/A
Location	
Are IMAC meetings rotated between locations to give the members the opportunity to see various operating sites?	N/A
Actions arising	
Are minutes/records of meetings prepared and circulated to the appropriate parties promptly?	Yes

GOOD PRACTICE QUESTIONS	RESPONSE / ACTIONS REQUIRED
<p>Is a report on matters arising made and minuted at the Committee’s next meeting?</p> <p>Do action points indicate who is to perform what and by when?</p> <p>Are actions allocated to an identifiable single person, rather than joint responsibility?</p>	<p>Yes</p> <p>As applicable</p> <p>As applicable</p>
<p>5. Financial Information and Regulatory Matters</p>	
<p>Understanding financial matters</p>	
<p>Does the IMAC consider how best to keep the Committee Chair abreast of public sector accounting requirements?</p>	<p>As appropriate</p>
<p>Does the Committee provide support to the finance function in explaining the effects of financial and reporting requirements to the Council?</p>	<p>As appropriate</p>
<p>Does the IMAC satisfy itself that:</p> <ul style="list-style-type: none"> • the organisation keeps proper accounting records? • the annual financial statements present fairly the financial position of the organisation? 	<p>Via review of audit outputs</p> <p>As above</p>
<p>Does the Committee gain an understanding of management’s procedures for developing the organisation’s financial report and the historical reliability of the organisation’s financial reporting?</p>	<p>Indirectly</p>
<p>Does the Committee review the annual report and financial statements before signature by the Executive Head/Secretary General?</p>	<p>Not prior to signature</p>
<p>Does IMAC consider specifically:</p> <ul style="list-style-type: none"> • The suitability of accounting policies and treatments • Major judgements made • Large write-offs • Unusual credits • Last minute transactions • Changes in accounting treatment • Unusual financial trends • Unusual financial statement relationships • Accounting treatments varying from the sector norm • The impact on going concern of fundamental issues in the business • The reasonableness of accounting estimates • The reasonableness of other accounting entries requiring judgement • Reporting on the wider financial aspects of the business eg the operating and financial review • The narrational aspects of the reporting? 	<p>Issues addressed in the course of review of the financial results and External Audit results.</p>
<p>Does the IMAC consider whether there is a risk of the accounts being qualified by the external auditors?</p>	<p>Yes</p>

GOOD PRACTICE QUESTIONS	RESPONSE / ACTIONS REQUIRED
Does the Committee review the Letter of Representation before signature by management and give particular attention to non-standard issues of representation?	Not prior to signature
ISA 260 and External Audit	
International Standards on Auditing (ISA 260) require the communication of audit matters to those charged with governance (governing bodies of entities). Does the IMAC liaise fully with the external auditors on matters concerning the financial statements?	Yes
Is there discussion of the unadjusted misstatements in the draft financial statements?	Where appropriate
Do the Committee consider why unadjusted errors in the draft financial statements detected by the external auditors are not corrected?	Where appropriate
Compliance with regulations	
Does the IMAC review whether the organisation complies with regulatory matters affecting the entity?	Yes
Does the Committee monitor whether the organisation's procedures for identifying and managing business risk have regard to relevant legislation and regulations?	As appropriate
Does the Committee enquire into whether there are procedures for making all employees aware of whistle blowing procedures?	Yes
6. Membership, Induction and Training	
Size	
Is the membership of IMAC in the range of 3 to 5?	Yes
Are the numbers attending the Committee's meetings (members and non-members) sufficient to deal adequately with the agenda, but not so many as to blur issues?	Yes
Does the Committee ensure that the right people attend, especially those who will have meaningful input on agenda items?	Yes
Membership	
The Chairmanship of the Committee and the Council should not be combined. Is this the case?	Yes, not combined.
Do the Chairs of the Committee and the Council and the other appropriate parties in governance consult widely before making recommendations on membership of the Committee?	To be pursued
Is the Head of Internal Audit invited to attend IMAC meetings rather than being a member?	Yes
If there is executive membership, is this rotated on an appropriate cycle (eg. 3 years)?	N/A. Committee independent.

GOOD PRACTICE QUESTIONS	RESPONSE / ACTIONS REQUIRED
Is the Committee membership wholly or mostly composed of non-executive or independent members?	Yes, all independent.
Is the Committee Chair non-executive and independent?	Yes
Is the appointment of Committee members for an appropriate period of time (eg.3 years)?	Yes, 4-year term.
Independence, skills, experience	
Does the Council ensure that the membership of the IMAC demonstrates independence and the required mix of skills and experience?	Yes
Do the Committee’s corporate competencies include accountancy skills/recent and relevant financial experience/risk management/audit/technical skills relevant to the organisation/an understanding of the public sector/UN environment?	Yes
Does the Committee set down requirements for areas of collective understanding?	Yes. Terms of Reference refer.
Is there a formalised process for the Council to consider what IMAC members bring to the Committee/the organisation?	Via annual reports and review of IMAC performance
Do the assessment criteria include knowledge, experience, personal qualities, time available?	N/A
How do candidates declare interests before appointment?	Independently conducted selection process
Are members required to declare interests in a register of interests and declare conflicts of interest on agenda items?	Annual formal declaration of interests, reported to the Chair of Council.
Are Committee members subject to regular appraisal by the Council?	As a Committee
Dynamism and performance of IMAC	
Does the Council ensure that the membership of the IMAC retains its dynamism?	Indirectly via formal review after initial 4 years
Have recent developments created a need for a review of the work of the IMAC?	No
Does the IMAC assess its effectiveness annually?	Yes
Does the Committee make a formal annual report on its own effectiveness to the Council?	Addressed via reporting to Council
How does the Committee benchmark itself against others?	Informally through experience of other UN bodies, meetings of the Chairpersons of UN

GOOD PRACTICE QUESTIONS	RESPONSE / ACTIONS REQUIRED
As part of self-assessment, does the Committee discuss the quality of the information it receives and make recommendations to the Council on its training needs?	<p>oversight committees and JIU</p> <p>Via the Secretariat as appropriate</p>
Induction of new members	
Do new members receive a copy of the Terms of Reference, a formal letter of appointment setting out responsibilities, term and remuneration?	Yes (NB membership is pro bono)
Do new members receive recent financial statements and other public reports, executive summaries of internal audit reports, commentaries on how recommendations have been followed up, external audit management letters, codes of conduct etc.?	As appropriate via IMAC
Is there an induction for new non-executive members?	Yes
Is there an induction checklist for new IMAC members, including for example: <ul style="list-style-type: none"> • Site visits where relevant • Attendance at Council • Meeting with risk manager • Meeting with head of Internal Audit • Meeting with External Audit 	Yes, as appropriate
Do the new members visit relevant business/operational locations?	N/A
Access to advice	
Does the IMAC Chair contact the Chair of the Council for approval for access to legal or other professional advice?	Terms of Reference refer
Does the Council ensure adequate budget to keep the members of the Committee updated on their role and provide access to legal and professional advice where necessary?	Implicit in the arrangements approved by Council.

SOURCES OF GOOD PRACTICE USED TO COMPILE THIS CHECKLIST TOOL

Inter alia:

United Nations entities	Self assessment arrangements for audit/oversight committees used in various UN Specialized Agencies and entities
United Nations	Report on Comprehensive review of governance and oversight within the United Nations and its funds, programmes and specialized agencies (document reference A/60/883)
UN Joint Inspection Unit	JIU Report JIU/REP/2010/5 on The audit function in the United Nations system and other JIU practice guidance

UN Joint Inspection Unit	JIU Report JIU/REP/2006/2 Oversight lacunae in the United Nations system
UK National Audit Office	Various good practice guidance on governance and audit committees
UK Financial Reporting Council**	The Combined Code on Corporate Governance
ICAEW* Audit and Assurance Faculty	The Power of Three: Understanding the Roles and Relationships of Internal and External Auditors and Audit Committees
ICAEW* Audit and Assurance Faculty	Guidance for Audit Committees – <ul style="list-style-type: none">• Company Reporting and Audit Requirements• Working with Your Auditors• Reviewing Auditor Independence• Evaluating Your Auditors
HM Treasury	The Audit Committee Handbook
ICAEW* Audit and Assurance Faculty	The Effective Audit Committee: A Challenging Role
ICAEW* Audit Faculty	Audit Committees – A Framework for Assessment
Financial Reporting Council**	Guidance on Audit Committees
Hepworth, Noel and de Koning, Robert	Audit Committees in the Public Sector – A Discussion Paper, May 2012

* Institute of Chartered Accountants in England and Wales.

** Independent regulator responsible for promoting high quality corporate governance and reporting, the UK's leading audit regulator.

ANNEX 3: PROPOSALS TO IMPROVE IMAC 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) ~~how to implement its recommendations~~ 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; investigation policies and guidelines, and whistleblowing arrangements.

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 countries¹, 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.

¹ These include the least developed countries, small island developing states, landlocked developing countries and countries with economies in transition.

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.
