

REPORT OF THE FIRST MEETING

1. Introduction

- 1.1 The first meeting was held on 23 and 24 of February 2012 and was attended by:
 - Dr. Beate Emilie Degen
 - Mr. Abdessalam El Harouchy
 - Mr. Graham Miller
 - Mr. Thomas Repasch
- 1.2 Subsequent to our meeting, the Committee learned with great sadness that its fifth member, Mr. Andrei Korotkov, had passed away.
- 1.3 The ITU Secretary-General, Dr. Hamadoun I. Touré, made a welcome address and introduced to the members of IMAC the Deputy Secretary-General, Mr. Houlin Zhao; the Director of the Radiocommunication Bureau, Mr. François Rancy; the Director of the Standardization Bureau, Mr. Malcolm Johnson; and the Director of the Development Bureau, Mr. Brahim Sanou. The Secretary-General congratulated the members of the Committee for their appointment, highlighted the importance of IMAC in contributing to effective governance and oversight of the ITU, and reconfirmed the commitment of the Organization to efficient, accountable and transparent management.
- 1.4 In accordance with paragraph 21 of the IMAC Terms of Reference, the Committee selected by consensus Mr. Thomas Repasch as Chairman. Dr. Emilie Beate Degen was elected Vice Chairman. Both will serve two-year terms.
- 1.5 During the two-day meeting the Committee received presentations on the ITU Structure, External Audit, Risk Management, Internal Audit and Financial Management. IMAC members also had the opportunity to meet with the Council Working Group for Financial and Human Resources and engaged with its members in a short discussion and exchange of views; the Committee conveyed its desire to maintain a continued dialogue with that Group.

2. Discussion topics

The following is a summary of the different topics discussed by the IMAC:

A. ITU Structure

- 2.1 The ITU structure was presented by Mrs. Doreen Bogdan, Chief of the Strategic planning and membership Department. The Committee was given an overview of the governance structure and mechanism, key themes the ITU is working on, the three Sectors of the ITU

and the major responsibilities of the Plenipotentiary Conference. Among other things, the Committee learned that ITU had intensified its efforts aimed at sustainability. A decade of ITU reform in management of the Union allowed the Committee to understand the challenges of the last ten years.

B. External Audit

- 2.2 Mr. Kurt Grüter, Director of the Swiss Federal Audit Office –the ITU External Auditor– provided an overview of his work of last year. The Committee noted that there were numerous external audit recommendations not yet implemented. Mr. Grüter said there were many challenges completing the audit work because of IPSAS implementation and, consequently, his auditors had provided extensive assistance to ITU management in order to complete the process and issue an unqualified opinion. Responding to concerns raised by this assistance, Mr. Grüter acknowledged that his decision to provide help was a difficult one that required substantial resources from his office that were uncompensated.
- 2.3 Mr. Grüter conveyed his concerns about the continuous need for addressing the issues raised during his audits. He referred to his presentation made in 2010 to the meeting of the Representatives of Internal Audit Services of the UN system (RIAS), on cooperation among, and allocation of responsibilities between, audit committees and the external and internal auditors. His presentation had included a several specific recommendations based on good practice to guide committees like IMAC. Further, he expressed the expectation that a committee like IMAC would support the implementation of recommendations and promote constructive discussions in the analysis and judgment of business risks. Mr. Grüter emphasized that only a harmonious triad comprised of Internal Audit, External Audit and IMAC promises an efficient and effective supervision of an organization. To produce such a triad, all partners must understand and mutually respect each other’s roles and responsibilities.
- 2.4 The Committee noted that the Italian Court of Auditors had been selected to conduct the external audits of the 2012 to 2015 Financial Statements. Mr. Grüter described his transition plan for the new auditor. The Committee expressed its desire to meet with the new auditors at the first opportunity.
- 2.5 The Committee discussed the need for the ITU Management to issue an Internal Control Statement, as promoted by the Committee of Sponsoring Organizations (www.coso.org). This “Statement of Internal Control”, signed by the Secretary-General and included in its financial statements, would reflect a good governance practice and provide valuable information and explicit assurance to Member States on how management has carried out its responsibilities under the Financial Regulations. It would also be used by internal and external auditors in carrying out their work.

C. Risk Management

- 2.6 Mr. Olivier Testoni, executive officer in the Secretary-General’s office, provided a presentation on the status of the ITU’s risk management framework. He told the Committee that actions are still needed to meet the requirements of Resolution 151 (PP-10) and to establish enterprise-wide risk management arrangements for ITU as a whole. The Committee encouraged ITU in this regard.
- 2.7 The Committee conveyed its belief that risk management is a responsibility of the ITU Management and not of Internal Audit, although the Internal Auditors might offer expert guidance in establishing appropriate practices through its audits of the Organization’s business and control processes. The Committee also recognized the importance of having a risk identification, assessment and management framework.

- 2.8 Finally, the Committee was informed that the Operational Plans of the ITU Sectors and General Secretariat already reflected efforts to identify risks. The Internal Auditor offered to provide to the Committee a non-validated list of the current risks identified.

D. Internal Audit

- 2.9 Mr. Frank Sap, Head of the Internal Audit Unit, gave a presentation on the structure and work of the Internal Audit Unit. His unit, consisting of three auditors and an audit assistant, had completed three audits during the period April 2010 to August 2011 and also transmitted, through the Secretary-General, an annual report to the Council in October 2011. Copies of all internal audit reports are available to Member States on request.
- 2.10 Mr. Sap indicated that his Unit has been developing an Internal Audit Manual, even though the Standards of the Institute of Internal Auditors do not require manuals for a unit as small as ITU's. He further stated that his Unit had from time to time been assigned to conduct investigations of individuals and activities in ITU, although such work had not been frequent or extensive.
- 2.11 The Committee was also informed that there would be a vacancy in the Internal Audit Unit in the next few weeks, leaving only two auditors for the actual audit work to be done and reducing further the resources available for internal audit.
- 2.12 The Committee noted that the Internal Audit Unit had spent extensive time in the tendering process for selecting the next External Auditor; that the work plan for 2011 had not been completed; and that the 2012 work plan was still being developed. The Committee also noted that the Internal Audit Unit's secretariat support to IMAC would take up further critical audit resources.

E. Financial Management

- 2.13 The ITU financial management was presented by Mr. Alassane Ba, Chief a.i. of the Financial Resources Management Department. The presentation contained explanations on the Financial Plan of the Union, the biennial budget for 2012-2013, the main financial regulations and financial rules and the integrated ERP System. The Chief a.i., FRMD agreed to provide the IMAC with the Organization's accounting manual.
- 2.14 The Committee noted that the position of Chief FRMD has been vacant for more than a year, during which time the ITU implemented IPSAS and Results-Based Budgeting. With respect to this delay, ITU management informed the Committee that the D1 position of Chief had to be approved by Council at its October 2011 session; the Deputy Secretary-General assured the Committee that the position would be filled in the near future. The Committee was also informed that ITU had its IPSAS implementation issues under control. This would be confirmed by the External Auditor at the completion of his audit work related to the 2011 Financial Statements.

3. Administrative matters and working methods

- 3.1 The Committee decided it would seek to reach its decisions by consensus and in instances where there was no consensus; it would refrain from making recommendations. The Committee also discussed other rules of procedure and decided to continue its discussions at its next meeting. The Committee accepted the current arrangement for secretariat support provided by the Internal Audit Unit but asked ITU management to explore other options for providing this support.

- 3.2 For future meetings, the Committee decided to use a standardized agenda consisting of topics referred to in its terms of reference: Internal and External Audit, Internal Control systems (including Ethics), Financial Management, Governance, Evaluation and Risk Management (including Operational Plans). It also discussed the possibility of inviting the Joint Inspection Unit, a UN system-wide external inspection office based in Geneva, to give a presentation at a future meeting.
- 3.3 The Committee reaffirmed its intention to assist the ITU Management in pursuing its governance responsibilities. The Committee expects that the presentations made by the ITU would include the governance challenges that the management is facing so as to allow the IMAC to take the appropriate decisions. The Committee will also take into consideration the expectations of ITU Management and the Council.
- 3.4 The Committee decided that it could not conclude its discussion of staggered membership, referred to in paragraph 21 of Resolution 162 (PP-10), until all five members could participate in a meeting together.

4. Final considerations

- 4.1 The Committee met at the end of its meeting with the Secretary-General and the Deputy Secretary-General and shared observations stemming from its discussions. The Committee also indicated that it would need to meet three times this year in order to fulfill its mandate and to contribute in the most effective way to the ITU's governance. Future meetings were scheduled for 14 to 16 May 2012 and 15 to 16 November 2012.
- 4.2 Furthermore, the Committee considered that, in order to promote transparency in ITU procedures and governance, it would be useful for IMAC to have a public presence on the ITU Website.
- 4.3 Finally, the Members of IMAC expressed its great appreciation to the Secretary-General and his staff for having provided the assistance that allowed it to conduct the first meeting most effectively and efficiently.

5. Recommendations

- 5.1 This report reflects the discussions of the first meeting. The Committee did not make any recommendations at this stage.
