

Summary Report of the third meeting

(Geneva, 7 and 8 November 2012)

This summary report provides a synopsis of IMAC's above dated meeting in accordance with paragraph 30 of the IMAC Terms of Reference approved under Resolution 162 (Guadalajara, 2010), which require the Chairman of IMAC to submit the Committee's findings to the Chairman of the Council and the Secretary-General after each meeting.

Present: Eric Adda, Beate Degen (Vice-Chair), Abdessalem El Harouchy, Graham Miller, Thomas Repasch (Chairman)

1. Resolution 162 establishing the IMAC envisaged that, to ensure continuity of membership, the initial appointment of two of the Committee's five members would be for one term of four years only (non-renewable), the names to be determined in Committee. The two members selected were Mr Repasch and Ms Degen.

Cooperation with other stakeholders

2. Further to the outcome of the Council 2012, IMAC discussed its emerging working practices to ensure effective working with ITU management, the Council Working Group on Financial and Human Resources (FHR CWG), and internal and external auditors; and the Secretary was asked to assist in achieving an effective cooperation framework, information flow and coordination of agreed follow-up activities with stakeholders.

3. The Committee noted that in its assessment of issues, it was important to reach an accurate and common understanding of factual context but that it would not always be possible to achieve agreement with management on its recommendations if the IMAC's independence and objectivity were to be maintained. The Committee confirmed that to ensure all IMAC's recommendations were based on the fullest understanding of relevant circumstances, it would be appropriate to obtain formal management comments prior to the submission of its annual report to Council.

4. Concerning cooperation with ITU's governing bodies and members, the Committee wished to collaborate on an effective liaison with the Council Working Group on Financial and Human Resources (CWG-FHR), to ensure that the IMAC would complement and support the CWG-FHR and facilitate the Council's work, consistent with IMAC's independent role. To support this intention and be available to initiate a productive dialogue with the Council working group, the IMAC would meet at the same time as CWG-FHR on 5 and 6 February 2013.

5. Further to the Council's decisions in 2012, IMAC considered that, as an expert group in oversight and governance, the Committee would be well placed to advise the Council on evaluation methodology; and expert professional methodologies, tools and guidance for self-assessment and good practice evaluation already existed from a number of sources. Mr Miller was asked to draw up a self-evaluation instrument adapted to IMAC and the ITU context, for consideration at the next meeting.

6. Liaison with the External Auditor was discussed, in particular the timeframe of the ITU's Financial Statements and External Audit findings. The Committee noted that the ITU Council for 2013 will be held 11-21 June 2013. It was expected that the 2012 Financial Statements would be submitted by the Secretariat to IMAC in draft at the same time as to the External Auditor, by 31 March 2013. The timeline for receiving the External Auditor's Report and observations would be confirmed at IMAC's February meeting. The committee also was concerned by the external audit scope of work and expected to have all details (see para 7 of Resolution 162).

Finance management/budget

7. The Chief of the Financial Resources Management Department and the Head of Budget briefed the Committee further on ITU's budget processes and the four-year financial plan approved by the Plenipotentiary Conference. Although the budget was approved for a two-year period, IPSAS reporting standards required a budget report to be made annually. It had proved difficult to balance the 2012-2013 budget due to the fact that personnel costs (categories 1 and 2) were budgeted at 95 per cent and a vacancy rate of 5 per cent had been used. Council 2012 had decided to give the Secretary-General greater flexibility to make up for the difficulty in applying the vacancy rate and had authorized him to withdraw a maximum of CHF 2 million from the Reserve Account to balance the 2012-2013 accounts if needed.

8. The Chief of the FRMD noted that unused budget allocations were not carried forward to the following year's budget but were transferred to the Reserve Account after year-end closure. In 2009, the Council had authorized withdrawal of CHF 10.1 million from the Reserve Account to balance the budget 2010-2011, but in practice only CHF 3.7 million had been withdrawn. The Reserve Account currently amounted to CHF 33 million.

9. The Committee was briefed on IPSAS implementation and noted that ITU had been implementing all relevant 31 required standards since January 2010, with the exception of IPSAS 25 on pensions, in common with all other agencies of the United Nations system. ITU's Financial Regulations had been amended to support the move to the IPSAS environment. Concerning the External Auditor's comments

about a lack of qualified staff in-house and weaknesses in accounts closure information, significant improvements had been made since 2011 and the person recruited to support IPSAS implementation and accounts closure would be taken on shortly. CWG FHR would be reviewing the follow-up of the External Auditor's recommendations.

10. Lastly, in relation to the financial deficit commented on by the External Auditor and ITU's reserves, the Chief of FRMD said that the Reserve Account applied solely to the budget. ITU did not have a budget deficit. The deficit identified was at the level of net assets and concerned essentially ASHI (After-Service Health Insurance). This liability had risen from CHF 94 million in 2010 to CHF 166 million in 2011 but presented no risks in the short or medium term. There had been discussions with UN agencies on possible financing for ASHI, but it had for the time being been decided that, so long as each organization's activities were not called into question, such financing did not need to be found immediately.

Procurement

11. The Committee received a briefing on ITU's procurement procedures from the Head of Procurement Division, who informed the Committee that the start and finish of the procurement process (and financial data) were subject to audit. The European Union, which financed projects implemented by BDT, in preparation of the Financial and Administrative Framework Agreement (FAFA) assessed ITU's procurement as compliant with the EU requirements concerning joint management with international organizations. ITU did not have pre-qualified suppliers and in general all companies wishing to tender for contracts could do so. The members of the Contracts Committee have been appointed by the Secretary General in consultation with the Coordination Committee.

12. Concerning audit findings, the Head of Procurement noted that the External Auditor's report used to focus on problematic issues. Regarding the new External Auditor, the appointee had been chosen at the end of a competitive process administratively conducted by Procurement Division and, the Internal Auditor under the direction of CWG-FHR. The Corte dei conti of Italy had been selected based on recommendations by a selection panel of five Member States' delegates among others because of its experience with IPSAS. In order to see the coming focus, ITU is waiting for the scope of work of the new external auditor.

Follow-up of recommendations in IMAC's 2012 annual report

13. The Committee discussed feedback from the 2012 Council in relation to its annual report. The Committee noted that it was not for IMAC to set priorities between its recommendations: that would be a matter for the Council and management to consider, since all IMAC's recommendations were intended to be relevant and important to the organisation. The question of the timetable of implementation was a matter for ITU management to draw up a plan of action and where appropriate ascertain the financial implications of recommendations.

14. The Committee noted that the Council had asked the CWG FHR to further consider IMAC's recommendations for 2012. To assist this, IMAC reviewed the position on the recommendations and

drew up a schedule, setting out the implementation status, progress and responsible official/department, for presentation to the next CWG FHR on 5-6 February 2012.

Human resources issues (General information, recruitment, management of posts)

15. IMAC met again with the Chief of the Human Resources Management Department and the Head of the Human Resources Planning and Policies Division for an update briefing on HR matters. This included ITU's efforts to rebalance the distribution of staff, by increasing the number of P-category staff in relation to G-staff by reclassifying vacant G posts to P-level posts wherever possible, taking into account the projected number of retirements; and the reduction of permanent/continuing contracts in favor of fixed-term contracts.

16. In response to the Committee's enquiries about the number and proportion of women employed by ITU, the Chief of HRMD noted that ITU had undertaken to implement a gender policy. The ITU had a relatively low representation of female staff; and female applications for highly technical senior posts were difficult to attract. As for the potential of establishing an executive training policy focused on women (of the kind seen in Germany for example), the success of such a policy would be dependent on the image of the organization concerned, and ITU was perceived as a highly technical institution that was not very well known within the UN family. Regarding the ratio of administrative to technical posts in the Sectors, some 90 per cent of those posts were technical, although the proportion of administrative posts was markedly higher in the General Secretariat. It was also the case that the job market in Geneva for spouses of officials was not very favorable. The ITU environment was open to diversity but Member States had not shown themselves in favor of establishing quotas and the Union relied on its recruitment procedures to ensure a better gender balance.

The outgoing External Auditor

17. IMAC met with the representative of the outgoing External Auditor to reflect on the final work of the Swiss Federal Audit Office at ITU for 2012. IMAC discussed the final audit process, findings and recommendations, in particular the question of the pension fund and ASHI that had been raised in the external audit report; and the Committee noted the importance under IPSAS that the position of the pension fund and the insurance fund should be clearly reflected in the annual financial statements.

18. The committee noted that according to the most recent actuarial study, the fund's assets amounted to 98 per cent of future liabilities. Measures to raise the retirement age should thus ensure the fund's sustainability. Where ASHI was concerned, the institutions in the UN system generally considered that it was not necessary to establish a formal fund to cover this, and liabilities would be paid out of organisations' ordinary budgets.

19. The Committee enquired whether the internal audit function had been reviewed by external audit. Although formal review of internal audit had been planned, this had had to be abandoned to ensure that adequate resources were applied to the greater priority of the transition to IPSAS. The work of the Internal Auditor had never served as a basis for that of the External Auditor, as the two activities were

different, it being important to distinguish the IAU and its oversight from the internal control system. In the outgoing External Auditor's view, the internal control system showed scope for improvement.

20. This situation and the transition to IPSAS had required the External Auditor to be more involved in the closure and financial reporting process than is ideal but every effort had been made to ensure that Member delegations had reliable and high-quality financial statements at their disposal. Such a situation was not unique since, with the transition to IPSAS, the many auditors in other countries or in other UN organizations (such as WFP and WMO) had likewise been heavily involved in assisting an effective closure of the financial statements. The representative of the External Auditor noted that the second financial year under IPSAS had been seen a great improvement on ITU's side. The Committee accepted that close support from external auditors in the implementation of IPSAS was in fact not unusual in many entities migrating to a major new accounting and reporting basis.

21. IMAC noted that implementation of external audit recommendations was the ITU's responsibility. From an external audit perspective, each recommendation was important and should be implemented, and the question of follow-up was raised during each annual audit. The outgoing External Auditors' experience was that the implementation of recommendations was a relatively slow process at ITU. A full briefing and hand-over procedure was being carried out with ITU's new external auditor, based on good professional practice and the guidelines and requirements of the UN Panel of External Auditors.

Internal Audit

22. The Head of the Internal Audit Unit (IAU) provided IMAC with a briefing on internal audit resources, coverage and current developments. With the Unit's P.2 vacancy notice having been cancelled, priorities had been reviewed; the audit of the Cairo Regional Office had gone very well with no major problems so far being identified, either in financial or representational terms; and two investigations were ongoing, neither involving financial or representational risk for the Union.

23. The Committee asked about the balance of effort between compliance and other types of audit work. The Head of IAU noted that some 33 per cent of the audit work carried out involved compliance, given that human resource management and ensuring the adequacy of the organisation's procedures were in part matters of compliance. Although the mission to Cairo had lasted only a week, the preparations at headquarters had taken several weeks. Work was continuing in BDT to analyse the observations made in the field.

24. With regard to the unit's two as yet undocumented investigations, the Committee recalled that IMAC was authorized to know the nature of current investigations. Although the Committee should be able to access reports once investigations had been concluded and reports completed, the Committee requested that the Internal Auditor's oral reporting at IMAC meetings should be fuller and provide more information on any investigations entrusted to him. (The Secretary would consult the Legal Adviser on this matter and inform the Committee of the outcome.)

25. Concerning relations with the External Auditor, the Head of IAU noted that those relationships had not yet been formally defined. There had always been cooperation and liaison but the Internal Auditor

concentrated on management questions, while the External Auditor focused on the financial side. With regard to continuing professional training/development of internal audit staff, he noted that there was no systematic training but that the qualified auditors took advantage of any available training opportunities that were relevant to their work to comply with continued professional education (CPE) requirements.

26. On audit planning, the internal audit charter provided for the internal audit plan to be submitted to the Secretary-General. This now needed to be updated and IMAC's views would be welcome before that revision took place. The Committee asked that planned internal audit activities, the resources allocated to those activities, and the progress made be documented in the form of a very simple table that IMAC could monitor at each Committee meeting. They also called for the implementation of the recommendations made by the Internal Auditor to be tracked in a more detailed and readable document, and proposed that the Internal Auditor should make it clear, when necessary, where a given recommendation needed to be implemented without delay. The Committee also recognized that the important question of updating the Internal Audit Charter in line with international auditing standards would need to be discussed at future meetings.

The new External Auditor

27. The Committee received the new external auditors, the Corte dei conti of Italy, for an initial briefing and to inform the new audit team that IMAC counted on their cooperation and support in what the Committee hoped would be an effective and productive future relationship.

28. The representative of the External Auditor confirmed the value they placed on dialogue with the Committee. He noted that the Corte dei conti's proposal for appointment to ITU had been purely technical in nature and mentioned only a certain number of person-days in audit effort. ITU would pay the audit travel costs, all other expenses being covered by the Corte dei conti. The bulk of the external auditors' work would take place after closure of the accounts on 31 March. The audit report for 2012 would be submitted within the required time frame, since all the IPSAS standards were now in place, and had to be presented to the Council by 20 June 2013. The audit report could therefore be discussed with IMAC between the second week of May and 25 May 2013. He stressed the importance of the contradictory process, which meant that the External Auditor's report would be ready only after the administration's comments had been taken into account.

29. Returning to the issues raised by the former External Auditor, the issue of fixed assets was already under audit review. In general, the Corte intended to report to ITU on issues on an exception basis, highlighting shortcomings and not mentioning issues that did not present any problems. As to the matter of the visibility, in the Union's financial statements, of commitments arising from the pension and health insurance funds, a study was also under way.

30. As to external audit recommendations, he noted that the auditors did not intend to draw up a list of priorities, as this aspect, along with implementation, was a matter for management to take forward. Lastly, with regard to audit coverage, he noted that if the auditors found the number of person-days

allocated for ITU to be insufficient to ensure adequate coverage, they would bring this to the Committee's attention.

Feedback to ITU top management

31. With ITU elected officials being away from headquarters at the time of the IMAC meeting, a videoconference was held with the Secretary-General in Rome and participation of the Director of BDT in Montevideo.

32. The Chairman provided the Secretary-General with a briefing on IMAC's deliberations. He expressed his satisfaction with the interchanges achieved with the various ITU managers during the Committee's session; and with the support from the new Secretary to the Committee. The Secretary-General reiterated the importance of IMAC for ITU and that he was very pleased to be working closely with it. The Chairman noted that IMAC was keen to ensure sound communication with the administration, and meetings with the elected officials would be included on the agenda of every meeting as a matter of standard practice. The Committee would be meeting next (in February 2013) at the same time as CWG-FHR, and the Chairman hoped to be able to consult the Secretary-General again on that occasion. The Secretary-General was keen to attend the next IMAC meeting in person.

33. The Chairman emphasized the Committee's view that there should be an opportunity for its reports, including the annual report submitted to the Council, to be seen by the Secretariat and commented on by the Secretary-General. While - given the independence of the IMAC's role and responsibilities - there could be no guarantee of unanimity between management and the Committee when it came to making recommendations, this would ensure accurate establishment of the facts on topics and issues addressed by the IMAC.

34. In relation to the Committee's first recommendation in its annual report submitted to the Council in July 2012, touching on the adequacy of the resources and coverage of the IAU, and the recruitment of an auditor as a matter of priority, the Chairman asked the Secretary-General about the freezing of the P.2 post. The Secretary-General said that the vacant P.2 post in question had been an additional post, the Head of the IAU having indicated that he needed help owing to size of his unit's workload. Since the Head of the IAU was no longer responsible for the IMAC secretariat function, the Secretary-General had taken the view that this additional resource was no longer justified and he had frozen the recruitment process and transferred the post to the Legal Affairs Unit. He assured the Committee that he would ensure that IMAC's other recommendations were implemented.

35. Concerning the reference of IMAC recommendations to the CWG-FHR, the Secretary-General noted that recommendations with financial implications had to be approved by the Council. Any others could be implemented directly, without being referred to CWG-FHR. He recalled that some time ago there had been a Council oversight group responsible for ensuring that Council decisions were effectively implemented by the Secretary-General of the time. He had made it clear at the Plenipotentiary Conference that he would not accept such micro-management in oversight into aspects that were the

Secretary-General's responsibility. Being of the view that ITU needed advice from independent experts, he had been strongly in favor of establishing the IMAC.

36. The Secretary-General also mentioned the current budget situation, where he had made efforts to increase the Union's revenues and had succeeded in obtaining 9.5 additional contributory units (from Azerbaijan), which he hoped would help to balance the budget. If Kuwait confirmed the increase in the number of its contributory units, the budget would be balanced.

37. Following an observation by Committee members concerning the study on the efficiency of the internal audit function, the Secretary-General recalled that the Internal Auditor was required to report to him on his work, and he invited the committee to provide him with advice on improving the internal audit function.

Risk management

38. The Secretary, in his capacity of Executive Officer, briefed the Committee on ITU's emerging risk management arrangements. Following an executive workshop on 1 June 2012, it had been decided to set up an intersectoral task force comprising representatives of the Sectors and the General Secretariat, the mandate for which had been approved by the Union's five elected officials. The objective was to create a risk management culture and define its framework but not to act on specific risks. The group would focus on strategic risk management, coordinate, and facilitate the introduction of a harmonized Risk Management Framework. The various areas of risks identified in the course of the executive workshop would have to be examined by management.

39. The Chairman welcomed the update on developments, which were in line with the second recommendation in IMAC's annual report. It was agreed to continue monitoring and discussion of the matter at the Committee's next meeting.

IMAC's presence on ITU's website

40. The Committee agreed to defer substantive discussion of this subject to its next meeting, asking the Secretary to prepare draft content for the future IMAC web pages. Information on the Committee for stakeholders would be provided through a link from the Council webpage, and should be accessible to Member States.

Dates of forthcoming meetings

41. IMAC's next meeting would be 5-6 February 2013. Given the likely date of submission of the External Auditor's report and the time needed to prepare IMAC's next annual report, the Committee decided to hold its following (fifth) meeting on 15-17 May 2013. (The Secretary will consult the external auditors as to the date of submission of their report, which could, if time were short, be presented orally to the Committee in the context of audit results to date and anticipated.)