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| **Council 2015 Geneva, 12-22 May 2015** |  |
| **INTERNATIONAL TELECOMMUNICATION UNION** |  |
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| **Agenda item: ADM 7** | **Addendum 2 to**  **Document C15/22-E** |
| **13 May 2015** |
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**Report by the Secretary-General**

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

**Addendum 2, Internal Audit**

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| **Summary**  This document presents an Addendum to the IMAC’s Fourth Annual Report in relation to the findings of an external independent assessment of ITU’s Internal Audit function which had been previously recommended by IMAC. The report of the external validators who carried out the assessment is separately submitted to the Council in Document C15/INF/11-E and this Addendum to the IMAC’s Fourth Annual Report provides the Council with IMAC’s comments and advice on the results of the assessment.  IMAC endorses the findings of the external validation report and commends them to the Council’s attention. IMAC **recommends** that the Council request the Secretary-General and the Internal Auditor - through the mechanism of the annual Report of the Internal Auditor on Internal Audit Activities - to report to the Council in 2016 and subsequent years on action taken and progress made in the implementation of each of the nine recommendations contained in the External Independent Validation of ITU’s Internal Audit activity.  **Action required**  The Council is invited **to endorse**the Addendum to the fourth Annual Report of IMAC and IMAC’s recommendation.  \_\_\_\_\_\_\_\_\_\_\_\_  **References**  *Documents C15/22 Fourth Annual Report of IMAC to the Council; C15/INF/11-E Implementation of IMAC Recommendations* |

1. Paragraph 3.10 of IMAC’s Annual Report for 2015 notes that, consistent with IMAC’s previous advice and recommendation, there has been an external validation of ITU’s Internal Audit function carried out by external practitioners under the approved professional practice of the Institute of Internal Auditors, the relevant professional body. This addendum reports to the Council on the results of that external review process.
2. The report of the external validators has been made available by the Secretary-General in Document C15/INF/11-E, presented to the Council for information, and contains detailed findings and nine specific recommendations for action.
3. The Internal Audit function - and therefore the findings of this external review – are important to the effectiveness of the governance and oversight arrangements of the ITU. Internal Audit is a key element in the ITU’s overall assurance and governance arrangements, in combination with external audit, the risk and controls framework, and IMAC’s oversight. IMAC has reviewed the validation report and offers the following commentary on the review’s findings and what they mean for Council Member States.
4. At present, ITU does not benefit from a comprehensive, coherent and wholly effective set of governance and internal control arrangements to provide the level of assurance that is appropriate for the organisation as a whole. IMAC therefore encourages Council Member States to engage actively with the results of the external validation: and to encourage and monitor change and improvement through the implementation of the report’s recommendations by Internal Audit and the Secretariat.
5. The external independent validation notes positively Internal Audit’s general and overall conformity with relevant professional Standards and Code of Ethics, although some areas were assessed as only in partial conformity and requiring improvement.
6. With regard to the areas for improvement, the review has reported that the Internal Audit function does not provide assurance on the effectiveness of risk management and governance processes, nor is its audit plan based on a complete risk analysis, given that the risk process supporting the selection of audit topics has not been sufficiently systematic, comprehensive or documented to offer the appropriate overall strategy or approach for the assurance needed. Further, the limited size and capacity of the Internal Audit unit constrain the unit’s coverage of critical and major risks.
7. The review identified that internal audit work programmes require better definition of controls and risks; and work papers did not adequately link to objective-based audit criteria, causes and conclusions.
8. The audit opinion used by Internal Audit does not provide assurance on risk management and governance (as required by the Internal Audit Charter and Standards); objectives have been too generalised and not always covered in practice; and control weaknesses were not always fully analysed for causes and consequences.
9. The review noted that Internal Audit’s annual reports to Council do not identify the consequences of control weaknesses. The effect and ramifications of control and management weaknesses that have been identified need to be recognised, if shortcomings are to be addressed and improvements achieved.
10. These new review findings are in line with and reinforce observations that had already been raised by IMAC and by the External Auditor, for example in relation to:

* the adequacy of resources available to Internal Audit;
* the need for systematic risk assessment, risk-based audit activities and multi-year planning;
* clearer and more explicit presentation of risk assessment and priorities in audit planning; and
* the need for more comprehensive annual reporting by Internal Audit to the Council, to provide assurance on the overall effectiveness of internal controls and to address the wider consequences of audit findings and control failures.

**Recommendation 6 (2015**): IMAC therefore endorses the findings of the external validation report and commends them to the Council’s attention. IMAC recommends that the Council request the Secretary-General and the Internal Auditor - through the mechanism of the annual Report of the Internal Auditor on Internal Audit Activities - to report to the Council in 2016 and subsequent years on action taken and progress made in the implementation of each of the nine recommendations contained in the External Independent Validation of ITU’s Internal Audit activity.

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