|  |  |
| --- | --- |
| **Council 2012 Geneva, 4-13 July 2012** |  |
|  |  |
|  |  |
| **Agenda item: ADM 6** | **Document C12/44-E** |
| **12 June 2012** |
| **Original: English** |
| Note by the Secretary-General | |
| FIRST 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 Chairman of the Independent Management Advisory Committee (IMAC).

Dr Hamadoun I. TOURÉ  
 Secretary-General

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

|  |
| --- |
| Summary  This document presents the first annual report of IMAC to the ITU Council, covering the Committee’s first two meetings, in February and May 2012. It contains conclusions and recommendations for ITU’s consideration in the areas of internal and external audit, risk management, internal control, financial statements, reporting and evaluation. The report also discusses IMAC’s consideration of several administrative and other matters directly related to its effective functioning.  Action required  Council is invited to **take note** of the work of the IMAC and **to endorse** its recommendations.  \_\_\_\_\_\_\_\_\_\_\_\_  References  PP-10 [Resolution](http://www.itu.int/pub/S-CONF-ACTF-2010/en) 162 (Guadalajara, 2010); Council-11 [Decision](http://www.itu.int/md/S11-CL-C-0109/en) 565 |

**Introduction**

1. The members of the IMAC (“the Committee”) were appointed by Council at its 2011 session (Decision 565). The Committee’s first and second meetings were held on 23-24 February and 14-16 May 2012, and were attended by:

* Dr. Beate Emilie Degen;
* Mr. Abdessalam El Harouchy;
* Mr. Graham Miller; and
* Mr. Thomas Repasch.

1. At the time of its first meeting, the IMAC learned with great sadness that its fifth member, Mr. Andrei Korotkov, had passed away. In accordance with applicable procedures, the Chairman of the ITU Council engaged in a consultation amongst Member States of the Council, and Mr. Enagnon Adda was appointed in May 2012 as fifth member but was not able to attend IMAC’s May meeting. In accordance with paragraph 21 of the IMAC Terms of Reference (ToR), the Committee elected by consensus Mr. Thomas Repasch as Chairman. The members of the Committee decided additionally to elect Dr. Beate Emilie Degen as Vice Chair. Both Chair and Vice Chair will serve two-year terms. The report of IMAC’s first meeting was submitted on 19 March 2012 to the Chairman of the Council and the Secretary-General.
2. The IMAC decided to use a standardized agenda consisting of topics referred to in its ToR: Internal and External Audit, Internal Control systems (including Ethics), Financial Management, Governance, Evaluation and Risk Management (including Operational Plans). The IMAC will also take into consideration the expectations of ITU Management and the Council.
3. The following sections provide a summary of IMAC’s discussions about the various topics and include conclusions and recommendations where appropriate.

**Internal Audit**

1. A follow-up of internal audit recommendations performed by the Internal Audit Unit disclosed that implementation rates by ITU managers were below sixty percent, with rates varying from year to year. The IMAC noted that several audits included in the 2011 internal audit plan had not been completed as of May 2012, and the audit plan for 2012 had only been approved by ITU management in mid-May 2012. The Committee also noted that the Internal Audit Unit had issued four audit reports in 2010 but only one report for 2011. The Internal Audit Unit has also been developing an Audit Manual when time permitted.  Lastly, the Committee learned that the P-2 auditor post, one of three auditor posts in the Unit, had been vacant since March 2012. Since oversight of the internal audit function and its effectiveness is one of IMAC's primary responsibilities, the Committee will keep these various issues under close review.

**Recommendation 1:** The Secretary-General should ensure recruitment of the vacant auditor post as a matter of priority.

1. IMAC members also briefly discussed the Report of the Internal Auditor on Internal Audit Activities to be submitted to the Council in July 2012. While acknowledging the small size and limited resources of the Internal Audit Unit at ITU, the Committee noted that this report, formally presented to the Council through and by the Secretary-General, included comments of internal audit activities completed but contained little wider commentary or statistics on management and resource aspects; and no commentary or assurance on risk, overall compliance or the effectiveness of internal control systems. IMAC will return to this aspect at its future meetings.

**Risk Management and Internal Controls**

1. The IMAC had several discussions with the Secretariat official responsible for facilitating the creation and implementation of ITU’s enterprise-wide risk management framework. The Committee expressed its support for the Executive Workshop scheduled for June 2012. The level of risk awareness shown by ITU managers appeared somewhat low, however. The Committee thus encouraged ITU managers to consider a broader range of strategic risks, including, for example, the risk of additional revenue decreases because of decreased contributory units by Member States since the last Plenipotentiary Conference. This would increase transparency and allow for improved risk mitigation efforts. The IMAC also encouraged the Secretariat, when establishing the logical framework for risk management, to draw on the already existing risk identifications and assessments included in the Operational Plans of the ITU Sectors and General Secretariat. For this to work, ITU management will need to obtain buy-in from all relevant stakeholders.

**Recommendation 2:** The Secretary-General should take additional steps, with appropriate resources, to develop the risk management framework, building on existing data and demonstrating to all stakeholders that ITU management is fully committed to it.

1. In the area of internal controls, the IMAC received a briefing from ITU’s Ethics Officer. The ethics program was established in early 2011, in line with the framework established at the UN. The Ethics Officer indicated that his office would pursue additional training and other resources for this office, while deferring the development of ethics jurisprudence until such time that function is more firmly established. IMAC supported the continuing development of the ethics function in ITU and will review progress at its future meetings.

**Recommendation 3:** The Secretary-General should continue to improve arrangements for and functioning of ITU’s ethics program, including formal reporting of the office’s activities and consideration of a possible hot line and a reporting mechanism through ITU’s website.

1. Also in the area of internal controls, the IMAC discussed the need for ITU to develop and present a Statement of Internal Control, as promoted by the Committee of Sponsoring Organizations of the Treadway Commission ([www.coso.org](http://www.coso.org)). A Statement on Internal Control represents a public accountability document describing the effectiveness of internal controls in an organisation; and in 2006 the Comprehensive Review of Governance and Oversight within the United Nations and its funds, programmes and specialized agencies had recognized that management should report on internal controls as part of their regular financial reporting. This Statement on Internal Control, signed by the Secretary-General and issued with the financial statements, would reflect 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.

**Recommendation 4:** With the advent of improved financial reporting under IPSAS, ITU management should consider issuing a Statement on Internal Control along with its financial statements.

**Financial Statements and accounting**

1. The IMAC was given a briefing on the draft financial statements by the Chief of the Financial Resources Management Department. The Committee noted that the financial statements available to it were of limited value because they were incomplete without Notes, and the Committee was unable to have a dialogue with the External Auditor (see further below). The Committee also noted that ITU’s practice was to issue the financial statements and the audit opinion separately. Also, to facilitate its future work, the Committee asked that ITU provide it with a copy of the financial statements by March 31 of each year, at the same time that the External Auditor receives the statements.

**Recommendation 5:** The Secretary-General should ensure thatITU adopt best practice and issue its financial statements and the audit opinion as a single document, as is done normally in UN organizations.

**External Audit**

1. At its first meeting the Committee received an extensive briefing from the External Auditor and was informed that numerous external audit recommendations had not yet been implemented. In addition, there was a continuous need for addressing the issues raised during the external audits. It was also highlighted that the External Auditor had faced many difficulties in completing the audit work for the 2010 financial statements because of issues related to IPSAS compliance. IMAC sought to obtain assurances from the External Auditor that the degree of advice and support provided to the ITU Secretariat had not compromised audit independence and objectivity.
2. Unfortunately, the Committee was unable to follow-up on critical external audit issues at its second meeting because of the External Auditor’s unavailability. The Committee was therefore not in a position to review the 2011 financial statements and discuss interim audit findings.
3. The IMAC agreed on the need to meet with the outgoing External Auditor at its next meeting in November 2012 to discuss the findings of the 2011 financial statements audit and report. In the meantime it would accept the offer from the External Auditor to obtain a debriefing as soon as the exit meeting between the External Auditor and ITU management for the 2011 financial statements audit had been held.
4. The Committee also expected to engage with the new External Auditor at the earliest possibility to ensure the appropriate follow up of the IPSAS implementation and establish a regular pattern of interaction in order for IMAC to carry out its mandate effectively.
5. At its second meeting in May 2012, the Committee discussed the External Auditor’s report on an information technology security audit of financial applications. The Chief of ITU’s Information Services Department considered that in response to the External Auditor’s findings a state-of-the-art access arrangement had now been implemented and that, as a general approach, the financial application is not customized except for some human resources features. This is expected to reduce costs over time and facilitate economical upgrades of the system. IMAC will follow up on this report when it meets with the External Auditor in November 2012.

**Evaluation**

1. Although the IMAC’s Terms of Reference and responsibilities include the oversight of evaluation, the Committee determined that there was no formal evaluation function within ITU, although some evaluation processes may be conducted by managers as part of the results-based management framework. The Committee agreed to keep this topic on its agenda and to assess the need for a formal evaluation function in a relatively small organization like ITU.

**Other matters**

1. In the course of its first two meetings, the IMAC also discussed and/or acted on the following:
2. **Rules of Procedure** - At its second meeting the IMAC adopted Rules of Procedure, established in accordance with paragraph 25 of the terms of reference. These Rules of Procedure can be found as an Annex to this present report.
3. **Term of appointment of IMAC members** – The terms of reference for the IMAC indicate that the initial appointment of two of its five members should be for one term of four years only, decided at IMAC’s first meeting. The IMAC decided that it could not conclude its discussion of staggered membership, referred to in paragraph 21 of the terms of reference, until all five members could participate in a meeting together. It is anticipated that this item will be concluded at the next meeting, scheduled for November 2012.
4. **Secretary of IMAC** - Prior to the first meeting of IMAC, ITU had appointed the Head of the Internal Audit Unit as the Committee’s Secretary. While IMAC members were grateful for the outstanding support provided, they also believed that this arrangement presented an inherent conflict of interest, as the Secretary is the chief of an office in ITU that is one of the primary subjects of the Committee’s oversight.

**Recommendation 6:** The Secretary-General should appoint as IMAC Secretary someone whose functions are not so directly related to IMAC’s oversight responsibilities.

1. **IMAC presence on ITU website** - The IMAC considered that, in order to promote transparency in ITU procedures and governance, it would be useful to have a public presence on the ITU Website. Plans are now underway to realize this presence.
2. **Interaction with Joint Inspection Unit** - At its second meeting, the IMAC received a presentation by the Chair of the United Nations Joint Inspection Unit (JIU). The Chairman described JIU’s role in the UN system’s oversight framework and discussed the Unit’s most recent report on oversight in UN organizations. The presentation was informative and IMAC members expressed an interest in further discussions with the JIU.
3. **Submission of required Declarations of Interest** - In accordance with paragraph 18 of the Annex to Resolution 162, the Chairman of IMAC submitted each member’s annual declaration and statement of private, financial and other interests to the Chairman of the Council.

**In Appreciation**

1. In conclusion, the Committee expresses its deep appreciation to the Secretary-General and his staff in ITU for their commitment and cooperation in supporting the establishment of the Independent Management Advisory Committee, following the ITU Council’s Decision in 2011.

Annex: **1**

ANNEX

**Rules of Procedure**

**Introduction**

In accordance with paragraph 25 of the Annex to Resolution 162 (Guadalajara, 2010) these Rules of Procedure were established by the ITU Independent Management Advisory Committee (IMAC) at its second meeting on 16 May 2012.

**Appointment and Representation**

1. The Council of the International Telecommunication Union (ITU) appoints the members of the IMAC in accordance with the Annex to Resolution 162 (Guadalajara, 2010).
2. The IMAC collectively possesses the knowledge, skills and senior-level experience in the areas referenced in paragraph 13 in the Annex to Resolution 162 (Guadalajara, 2010).
3. The IMAC selects a Chairperson and one Vice-Chairperson for a two-year term. For continuity reasons, the Vice-Chairperson would normally become the next Chairperson.
4. The Chairperson represents the IMAC. In the absence of the Chairperson, the Vice-Chairperson will act on behalf of the Chairperson.

**Meetings**

1. Meetings of the IMAC shall be convened by the Chairperson. A provisional agenda for each meeting shall be prepared by the Chairperson, with assistance of the Secretariat. This agenda will reflect a standardized agenda consisting of topics referred to in its terms of reference.
2. The members of the IMAC shall normally receive the provisional agenda and the accompanying documents for the meeting in question at least two weeks before the meeting is held.
3. The IMAC shall meet at least two times a year in person. Meetings will normally be held at ITU Headquarters in Geneva, Switzerland. In addition, members of the IMAC may use all possible applications of information technology such as videoconferencing, teleconferencing, e-mail or internet-based communication, to conduct its business.
4. The Chairperson, assisted by the Secretariat, will prepare the draft of the reports of the IMAC referred to in paragraph 30 of the Annex to Resolution 162 (Guadalajara, 2010), and submit them for review and approval by all members of the IMAC, before final issue.

**Information and Decisions**

1. The IMAC will receive copies of the financial statements, internal and external audit reports, including all audit findings and recommendations, and all other documents necessary for the IMAC to fulfil its responsibility.
2. The IMAC will receive copies of the audit plan(s), and changes thereon, of the internal and external auditors on a regular basis.
3. The Secretary-General shall bring to the attention of the members of the IMAC any other information, communication or reports, including possible investigation reports, relevant to the IMAC’s responsibilities. The IMAC will respect the possible confidential nature and the identity of individuals concerned.
4. The IMAC shall reach its recommendations and advice by consensus.

**Self-evaluation and review of the Terms of Reference**

1. In accordance with good practice, the IMAC will engage in informal and formal self-evaluation of its own performance from time to time. The IMAC will report the results of its formal self-evaluation to the ITU Council.
2. The IMAC will review its terms of reference periodically against best practice and in the best interest of ITU and report the results to the ITU Council.

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_