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**Report by the Secretary-General**

**NINTH 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 Chair of the Independent Management Advisory Committee (IMAC).

Houlin ZHAO  
Secretary-General

## NINTH ANNUAL REPORT OF THE INDEPENDENT MANAGEMENT ADVISORY COMMITTEE (IMAC)

### KEY POINT SUMMARY

This ninth annual report of the Independent Management Advisory Committee (IMAC) to the ITU Council contains conclusions and recommendations for the Council's consideration in compliance with IMAC's terms of reference.

This report supersedes the Interim Report prepared for the June 2020 Session of Council.

### Action required

The Council is invited **to approve** the IMAC report and its recommendations for action by the secretariat.

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### References

[Resolution 162](#) (Rev. Busan, 2014); Council [Decision 615](#);

IMAC Annual Reports:

[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);

[C18/22 + Add.1](#) (Seventh annual report of IMAC to the Council)

[C19/22](#) (Eighth annual report of IMAC to the Council)

## 1. INTRODUCTION

1.1. IMAC serves in an independent 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.

## 2. MEMBERSHIP AND ACTIVITIES OF IMAC

2.1. The current members of IMAC were appointed by the 2019 Session of Council (*Decision 615 - Appointment of members to the Independent Management Advisory Committee (IMAC)*) and as of 1 January 2020, the composition of the Committee is the following:

- Mr. Kamlesh Vikamsey (Chair)
- Ms. Sarah Hammer
- Mr. Alexander Narukavnikov
- Mr. Honore Ndoko
- Mr. Henrique Schneider

2.2. The outgoing three (3) members of the Committee were initially appointed from 2012 when IMAC was established:

- Dr. Beate Degen
- Mr. Abdeslam El Harouchy
- Mr. Graham Miller

2.3. The 24<sup>th</sup> meeting of IMAC (in October 2019) was the last meeting attended by the three outgoing members, who wished to express gratitude and appreciation to the Council for being able to serve on the Committee and contribute to the ITU; and to the Secretary-General and the hard working staff of the Secretariat for their cooperation and good will in facilitating the work of IMAC.

2.4. IMAC met in Geneva in October 2019 with its previous composition, and with its new composition in February 2020 and virtually in June and October 2020.

2.5. The members of the Committee, at the June 2020 virtual meeting, nominated Mr. Kamlesh Vikamsey as Chair, to serve in this capacity for a term of two years, as per the IMAC Terms of Reference.

2.6. Since IMAC's last annual report to the Council in 2019, the Committee 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.

2.7. The members of IMAC participated at the Council Working Group on Financial and Human Resources (CWG-FHR) meeting on 3 February 2020, in particular following the topics of Results-based management, the fraud case and related matters, and the presentation on strengthening risk management in the ITU.

2.8. In the course of its meetings, IMAC held substantive discussions with the Secretary-General and Deputy Secretary-General, the Director of the Telecommunication Development Bureau, the Financial Resources Management Department, the Internal Auditor, the External Auditor, the Legal Advisor, the Ethics Officer, the New Building Project Division, the Human Resources Management Department, the Strategic Planning and Membership Department and other management representatives as appropriate.

2.9. All 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.

2.10. Due to the CoVid-19 pandemic travelling restrictions, IMAC virtual meetings had to be compressed in terms of timing, to be able to accommodate all members participating around the globe, therefore additional sessions may need to be planned to cover in depth all the topics entrusted to IMAC.

2.11. IMAC members commend overall how well ITU management engages with IMAC in a fruitful process; in particular the organization of the onboarding of the new members, the openness, readiness and responsiveness of management to address IMAC's questions, as well as the proactiveness in seeking IMAC's advice in several topics of IMAC's expertise. Specific recommendations on the areas of IMAC's responsibility are included within the relevant sections of this report.

### **3. IMPACT OF COVID-19 TO THE ACTIVITIES OF THE ITU**

3.1. The Committee received a briefing on the impact of the current COVID-19 pandemic on the functioning and activities of ITU, the new initiatives and work programmes implemented, as well as the measures introduced in response to COVID-19.

3.2. The Committee was particularly pleased to see the internal investment on medical supplies, equipment and medical as well as psychological advice to staff.

3.3. In the meantime, the organization also managed to host all its meetings in virtual platforms, with the wide participation of its membership.

### **4. EVALUATION OF THE WORK OF ITU**

4.1. IMAC commended the work carried out by the ITU during the COVID-19 pandemic period with all the initiatives, events, products and partnerships related to COVID-19, which complemented the work of other UN agencies and the UN secretariat, and highlighted the importance of ITU's role in connecting the world.

4.2. In this direction the Committee also discussed the need to disseminate the culture of evaluation and suggested that ITU management look into specific actions to evaluate these initiatives, in terms of outcome and impact.

4.3. Members of IMAC therefore encouraged the secretariat to conduct in due course an impact analysis and evaluation of actions undertaken to mitigate the impact of the pandemic and identify lessons learned and opportunities in the post-COVID-19 world.

### **5. FINANCIAL MANAGEMENT**

5.1. IMAC continued to monitor financial issues and discuss developments with the Financial Resources Management Department. Since its last report to Council, the Committee was informed in particular of the implementation of the new procurement manual, the developments in the

discussions on how to fund the After Service Health Insurance (ASHI) liabilities at the UN level, as well as the developments regarding the re-introduction of the older post adjustment.

5.2. The Committee reiterated its Recommendation 4/2016 that the ITU management should follow the discussions of the UN working group on the ASHI issues and establish a plan for funding these liabilities for the future.

5.3. IMAC is satisfied with the management's decision to implement as of 2022 the recommendation of the UN working group on the funding scheme for new hires as soon as it is approved by the UN General Assembly.

5.4. The Committee particularly inquired about the cash flow and liquidity status of the organization, as well as the longer term financial implications of the COVID-19 pandemic. IMAC noted the confidence expressed by the ITU management for the liquidity of the organization for the following 6 months, and will continue to engage on the issue with the Financial Resources Management department.

## **6. INTERNAL AUDIT**

6.1. IMAC continued to review the planning and progress of internal audit activities, and the results of the internal audit reports in 2019 and 2020.

6.2. The Committee expressed its concerns on the resources dedicated to audit work carried out by the Internal Audit Unit. IMAC has shared similar concerns previously with management through several recommendations, in particular:

- Rec. 11/2016: "IMAC recommended the appropriate use and rigorous management of the Internal Audit resources so that direct audit work is maximized".
- Rec. 2/2017: "IMAC recommended that Internal Audit should take forward the adoption of multi-year risk based audit planning, including a rolling cycle of coverage, to ensure adequate oversight of key areas and operational activities over time, ensuring best use of Internal Audit's limited resources".
- Rec. 3/2017: "As IMAC had recommended in 2016, it is important that the limited resources of IAU are used to examine those areas which represent the highest priority risks for the organization".

6.3. Concerns were raised again by members of IMAC on the use of the limited resources, the coverage of the audit work, and the adequacy of processes. Disruption was significant in the previous period, but IAU needs to catch up with the work required to ascertain the integrity of the organization. The results are currently sub-optimal, and the situation seems to be deteriorating rather than improving. The Committee is questioning whether the IAU has the resources required to effectively monitor the organization.

6.4. Regardless of the efforts put into the various investigations and other non-audit related work, and the disruption due to COVID-19, the Audit's mandate needs to be taken forward. It is alarming that no Audit work has been carried out in 2020. The work has to continue in the virtual environment, equally if not even more significantly.

6.5. The documented concerns should be addressed because the risks can be particularly high moving forward. The Committee considered this a critical undertaking and IMAC remains available for further discussions to find an urgent resolution to this issue.

6.6. IMAC noted the increase in the number of investigations and the Committee pointed out to the proposal to have a dedicated resource on investigation, as a matter of priority (referring to Council [Doc. C20/60](#) on the “Creation and Funding of a New Investigation Function and Process”). The Committee still highlighted the need to contract external expertise for particular types and areas of investigation.

**Recommendation 1 (2020):** Internal Audit in any organization is the Third Line of Defense providing assurance for the organization’s risk management and internal control processes; IMAC recommends that the Internal Audit Unit needs to be considerably strengthened from a resource point of view, coverage and adequacy of processes.

## 7. EXTERNAL AUDIT

7.1. IMAC has been closely engaging with the External Auditor, holding sessions in each of the Committee’s meetings, both with the External Auditor and ITU management, and in closed private sessions with the External Auditor only.

7.2. Against the background of the system of internal controls, the External Auditor has provided like for 2018, a qualified opinion on the 2019 ITU financial statements. The checks of the External Auditor revealed that expenditure related to international cooperation and technical assistance had been authorized and executed under a system of internal controls on which the External Auditor could not rely for the purpose of their audit. There were no other satisfactory audit procedures that the External Auditor could adopt to confirm that the recorded expenses were free from material misstatements.

7.3. The External Auditor acknowledged the fact that ITU has started a comprehensive process aimed to duly implement the External Auditor’s recommendations, as well as the recommendations made by the IAU and the JIU. The External Auditor’s Report acknowledged the progress made by the Working Group on Internal Controls set up on the initiative of the BDT Director, to address, inter alia, the risks related to the accountability framework, and review the procedures for managerial oversight. However, the External Auditor considered it appropriate to maintain the qualified opinion, since the instruments developed have not yet been able to prove their effectiveness in reducing the risks observed in terms of financial reporting.

7.4. IMAC also highlighted the issue addressed by the External Auditor on the need to ensure additional focus on the timely processing of administrative data and stabilization of the ERP HRMD system. According to the checks carried out, the allowances paid may not (or may no longer) be in line with the actual eligibility conditions of individual staff members, while manual entries and adjustments of data are likely to have a cascading impact on other benefits. Due to this situation, the External Auditor could not conclude on the accuracy of the figures recorded in the statements.

7.5. The External Auditor’s Report for 2019 has again included an emphasis of matter on the impact of actuarial liabilities relating to long-term employee benefits recorded in the financial position, in particular the After Service Health Insurance plan (ASHI).

7.6. IMAC commends the External Auditor's Report and audit recommendations to the Council's priority attention.

**Recommendation 2 (2020):** IMAC recommends that the management should review the ongoing process of addressing the strengthening of the HRMD ERP system and look into the issue as a matter of priority with the best suitable solution.

### **Appointment of the new External Auditor**

7.7. As the selection process for the new External Auditor was initially unsuccessful, Council endorsed the proposal to reappoint the existing external auditors for an additional term of two years.

7.8. IMAC had previously highlighted the importance of this tendering process and had suggested to conduct it in such a way as to generate sufficient and fair competition. The Terms of Reference of IMAC include responsibility for providing advice on the appointment of the external auditor.

7.9. IMAC noted the work of the Appraisal Committee and the relaunched process for the Appointment of the new External Auditor, and suggested that the new external auditors be appointed without any further delays and as a matter of priority, as per the good governance practices.

## **8. AUDIT RECOMMENDATIONS**

8.1. IMAC observed a number of recommendations from the Internal Audit and the External Auditor, which are yet to be implemented. The Committee reiterates the importance to specifically focus on reaching a closure of over-aged Recommendations.

**Recommendation 3 (2020):** IMAC recommends that a mechanism be established to ensure the resolution of long outstanding recommendations.

## **9. FRAUD IN A REGIONAL OFFICE**

9.1. IMAC has been monitoring the follow-up actions to the fraud case in a regional office, and ITU management's effort to reduce the risk of fraud within the organization. IMAC commends the ongoing work of the Internal Controls working group, aiming to establish improved arrangements and control mechanisms following the recommendations by the External Auditors, Internal Audit and IMAC.

9.2. IMAC also took note of the External Auditor's Report assessment on the follow-up given to the fraud case, in particular in relation to a confidential report, released by an external investigator in early 2020 (the so-called "Further report"), investigating any systemic or individual shortcomings, and/or any dereliction of management responsibilities in the oversight and supervision. The Committee recommends the implementation of the recommendations of the External Auditor on this aspect on an urgent basis.

9.3. The Committee highlighted in addition the need and importance to not only establish the internal controls, but also continuously monitor their strengthening and effective implementation.

9.4. The Committee noted the very high interest to make sure this is taken in a full implementation and committed to keep a close watch on the project. Strengthening controls is an ongoing process, IMAC therefore encourages the whole organization to take the learnings from this process and streamline them into all the business processes, asserting ownership and accountability across all organizational units.

## **10. PWC REPORT ON THE REVIEW OF REGIONAL PRESENCE**

10.1. IMAC received at its last session a copy of the PWC Report on the Review of ITU's regional presence. Since regional presence has been a major element of concern for the Committee, IMAC is looking forward to management's response to the report and its recommendations.

10.2. A dedicated session to the topic will be planned during the next IMAC meeting, for IMAC to draw its own conclusions and provide further advice to the Council and ITU management.

## **11. RISK MANAGEMENT**

11.1. IMAC has followed closely the developments in the ITU risk management arrangements with the Head of the Strategy and Planning Division. IMAC noted the progress in the implementation of the Risk Management Action Plan and commended the secretariat for the work in revising the ITU Risk Management Policy and Risk Appetite Statement, and the proposals to strengthen the risk governance structure and to create a Risk and Internal Controls function in the secretariat.

11.2. IMAC would like to hear further progress on the matter.

## **12. CULTURAL DIAGNOSIS AND SKILLS GAP PROJECT**

12.1. IMAC received a briefing on the ongoing ITU-wide Cultural Diagnosis and Skills Gap project.

12.2. IMAC had previously recommended (Rec.2/2018) 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.

12.3. The committee expressed its interest on the project and the wish to further engage with the ITU management during the project implementation.

## **13. WORKING AS ONE ITU**

13.1. Referring to the ITU Strategic Plan 2020-2023, the *"Sectors shall work cohesively for the implementation of the strategic plan. The secretariat shall support coordinated operational planning, avoiding redundancies and duplication and maximizing synergies across the Sectors, the Bureaux and the General Secretariat"*.

13.2. The Committee recognizes the strengths of the organizational structure as provided by the ITU Constitution and Convention but would also like to highlight and emphasize the importance of working as One ITU.



13.3. IMAC will be following up on the topic, in order to provide any advice on enhancing the management processes in this direction.

#### **14. ETHICS OFFICE**

14.1. IMAC continued engaging with the Ethics Officer and getting briefings on the activities of the office. The Committee commended the work of the office and noted the increase in the number of complaints in 2019 and 2020, as well as the number of investigations, for which the Ethics Office is conducting a preliminary review.

14.2. IMAC looks forward to further engage with the Ethics Office on the ongoing work to improve and harmonize policies and procedures in place.

#### **15. ITU HEADQUARTERS CONSTRUCTION PROJECT**

15.1. IMAC continued to receive regular briefings from the Head of the Facilities Management and Building Project division, on progress and developments in the ITU's HQ premises construction project.

15.2. IMAC noted the confidence in the planning process and highlighted the importance to be vigilant and continuously assess the impact of the COVID-19 pandemic and its implications to the project, as minor details or unknowns could be extremely costly for the project.

15.3. Given the importance of the project and its technical complexity, IMAC encourages the use of external technical experts in the processes and mechanisms of the project governance structure.

15.4. IMAC will continue to monitor progress and provide advice on an ongoing basis. The Committee would want to reiterate again the need for close monitoring and oversight to this project, given its importance and the high risks involved.

#### **16. STATUS OF IMAC RECOMMENDATIONS**

16.1. In keeping with its standard practice, and 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. This is presented at Annex 1.

16.2. Up to now, 83% of the IMAC recommendations have been implemented, while 10 recommendations (17%) remain in progress with the secretariat.

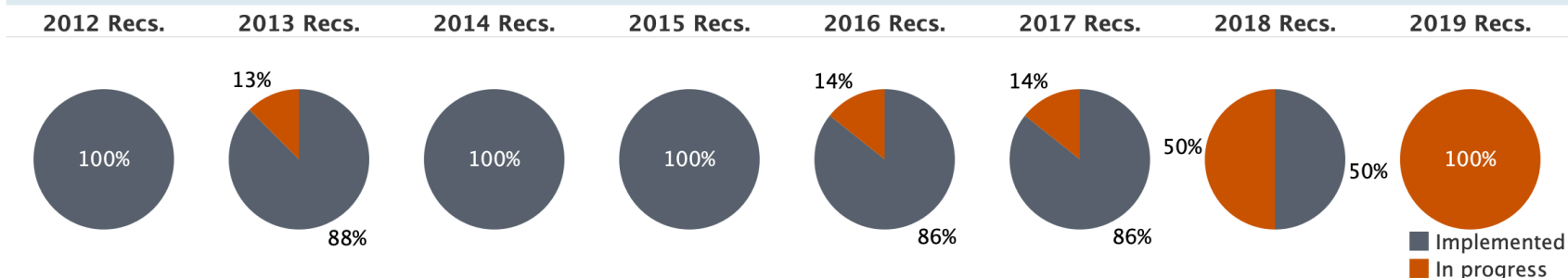
#### **17. OTHER MATTERS**

17.1. IMAC members wish to express their continuing appreciation to Member States, the CWG-FHR, the Secretary-General, the Deputy Secretary-General, the Directors of the Bureaux and the ITU officials for their support, cooperation and positive attitude in supporting the effective functioning of the Committee. In particular the Committee is appreciative of the teleconference and video facilitation and support provided for its 26<sup>th</sup> and 27<sup>th</sup> Meetings in June and October 2020.

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

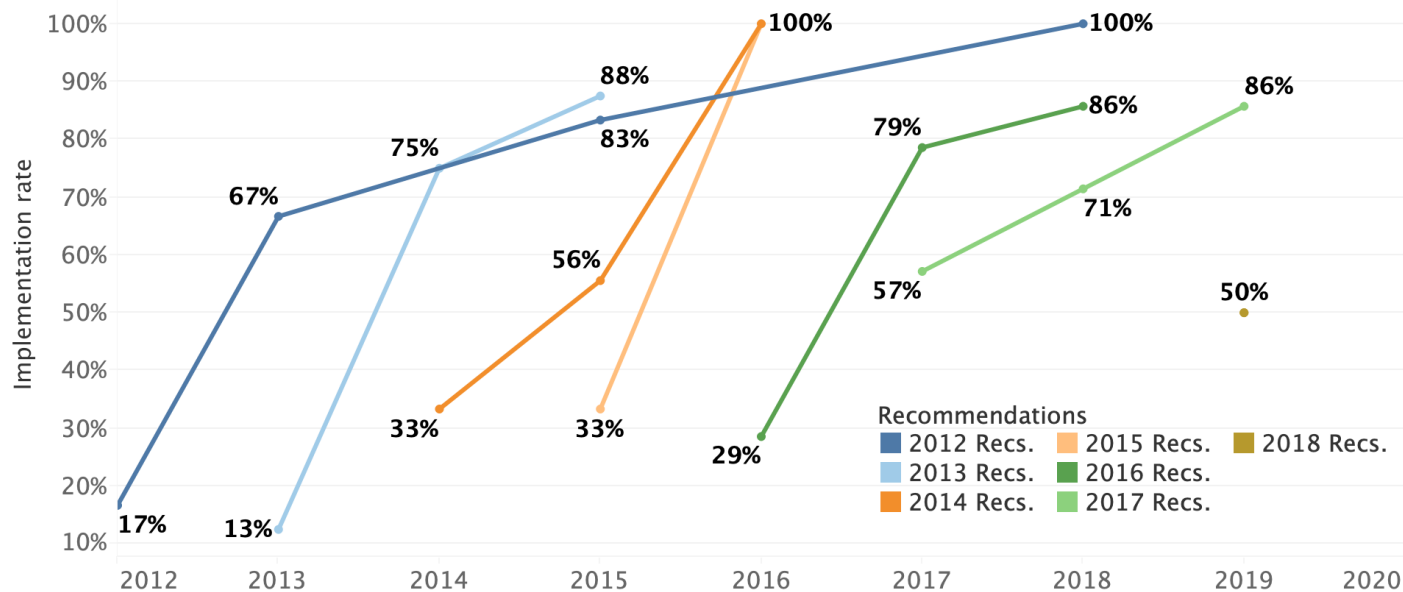
### ANNEX 1: STATISTICS ON IMPLEMENTATION OF IMAC RECOMMENDATIONS

#### IMAC Recommendations implementation rates – Recs by Year



	2012 Recs.	2013 Recs.	2014 Recs.	2015 Recs.	2016 Recs.	2017 Recs.	2018 Recs.	2019 Recs.	Total
<b>Implemented</b>	6 – 100%	7 – 88%	9 – 100%	6 – 100%	12 – 86%	6 – 86%	2 – 50%		48 – 83%
<b>In progress</b>		1 – 13%			2 – 14%	1 – 14%	2 – 50%	4 – 100%	10 – 17%
<b>Total</b>	6 – 100%	8 – 100%	9 – 100%	6 – 100%	14 – 100%	7 – 100%	4 – 100%	4 – 100%	58 – 100%

#### Progress – implementation rates



#### 2012–19 Recs.

