

Summary Report of the 13th meeting

Present: Dr. Beate Degen (Chair), Mr. Abdessalam El Harouchy, Mr. Graham Miller, Ms. Aline Vienneau, Mr. Kamlesh Vikamsey.

1 Introduction

- 1.1 The thirteenth IMAC meeting was held from 24 to 25 February 2016. In addition to its discussions with ITU officials about relevant topics, the Committee met with the Secretary-General. In this report the terms IMAC and Committee are used interchangeably.
- 1.2 The Committee welcomed 2 new members, Aline Vienneau (Canada) and Kamlesh Vikamsey (India). An induction session was scheduled for February 23 to provide the two new members with relevant background information on ITU and IMAC.
- 1.3 The 2 new IMAC members were also introduced to the Sixth meeting of the Council Working Group on Financial and Human Resources on 24 February 2016.

2 Election of the Chair

- 2.1 According to the rules and regulation of IMAC and ITU, the Committee elected Dr. Beate Degen as Chairperson for the 2 year period 2016-2017.

3 External Audit

- 3.1 A video conference was held with the External Auditors, Corte dei Conti, and the following issues were discussed:
- 3.2 The Draft Audit Plan and Calendar for the 2015 Audit: Topics to be addressed include ASHI, Telecom World, Risk Assessment by Internal Audit, Implications of the new building premises and Follow-up of previous Recommendations.
- 3.3 The Calendar envisages production of the Financial Statements by the beginning of April and the availability of audit findings by the end of April for a subsequent meeting with IMAC.
- 3.4 The External Auditors confirmed their independence and absence of limitation in their scope.
- 3.5 The IMAC inquired about the upcoming changes in the scope and form of the Audit Report (reporting of key audit issues), which would result from changes in international auditing standards for 2017. The External Auditors agreed to discuss with IMAC the implementation of the new International Standards on Auditing (ISA).

4 Financial Management

- 4.1 IMAC received a briefing on the Financial Management issues from the Chief of the Financial Resources Management Department, who confirmed that the financial statements would be available

for the External Auditors on time. He also confirmed that there were no changes in International Public Sector Accounting Standards (IPSAS) affecting the financial statements for 2015.

- 4.2 Mr. Ba informed IMAC of the vacancy of the positions of Head of Accounting and Head of Procurement.
- 4.3 Mr. Ba also informed IMAC that the impact of negative interest rates needs to be considered when reviewing the financial situation of the ITU.
- 4.4 On the building issue, Mr. Ba briefed IMAC on the Recommendation of the Council Working Group on options for the Union's HQ premises over the long term. ITU expects to get an interest free loan from the Swiss government, repayable over 50 years as of the delivery of the building (planned for 2023), in the option of the new building project.
- 4.5 The impact of the new building project on the financial statement has to be determined.
- 4.6 Statement on internal control for the year 2015: IMAC took note of the statement on internal control for 2015.

5 Internal Audit

- 5.1 The IMAC took note of the progress report of the Internal Audit activities. The Committee reviewed with the Head of Internal Audit the results of the 2015 work, in terms of deliveries and time spent, and noted there were cases of significant budgeted time overruns and work being deferred to the subsequent year. Therefore the Committee remains concerned about the need for appropriately rigorous management and the extent to which direct audit work is maximized.
- 5.2 The Committee noted that the provision of time and resources for coordination of work with the External Auditor was unused in 2015, and therefore the extent and nature of cooperation between Internal and External Auditor still needs to be more actively improved, consistent with good practice arrangements.
- 5.3 In the future, to assist IMAC's review, it would be helpful for the regular Progress Report to provide more detail on the explanation of variances from budgeted time.
- 5.4 IMAC reviewed the Progress and Follow-up of the implementation of Internal Audit Recommendations and noted that while the effective follow-up of Internal Audit Recommendations has continued to improve, a number of Recommendations which are too long in progress and pending implementation need to be addressed. Where management response to Audit Recommendations remains slow, IMAC considers that there needs to be an accountability mechanism for the Secretary-General to facilitate their implementation. The Committee therefore encourages the management to establish an improved process to ensure greater responsiveness and expedite the implementation of Internal Audit recommendations.
- 5.5 The Committee was briefed on and discussed the Audit Plan for 2016 with Mr. F. Sap (Head of Internal Audit Unit).
- 5.6 IMAC reviewed, in particular, the extent to which the proposed Audit Plan was based on an (i) adequate risk assessment consistent with the organization's needs, (ii) the Recommendations provided by the external validation of the Internal Audit function and (iii) the Recommendations previously made by IMAC and the External Auditors.
- 5.7 In IMAC's view, the Audit Plan still needs to indicate, with explanation, the results of the annual audit risk assessment, and evidence a much clearer and explicit linkage between the risk assessment carried out by Internal Audit and the selection of audit topics for the coming year; in order to establish an appropriate cycle of audit coverage to address all key risk areas over an acceptable period of time, for example on the basis of a 3 or 5 year cycle.

- 5.8 The Committee discussed the topics proposed for 2016 and the audit time budgets allocated for work, both for direct audit work and indirect support activities.
- 5.9 IMAC noted that similar amounts of time are being allocated to the direct audit topics with little distinction. In addition, the Committee was unclear as to the rationale on which some audit topics were chosen, in terms of priority and risks. In the Committee's view there could be scope for some subject areas to be better addressed by management rather than using the limited resources of the Internal Audit function.

6 Risk Management

- 6.1 IMAC was provided with an update on risk management and discussed recent and future developments. The Committee was pleased to see the -further- progress that has been made on the timescale of the operational planning for submission to Council 2016. This represents a further embedding of the new procedures in the operational processes of the organization.
- 6.2 The next important step remains the establishment of a high-level risk register at corporate level for the organization, above the operational planning. This corporate risk register, with nominated senior risk owners, should be managed as part of the business process with regular reviews by top management. Ultimately, as IMAC has previously recommended, that the high-level risk register should be monitored at corporate level by both senior management and the governing body as an essential component of good governance.
- 6.3 Once risk management can be established at corporate level, IMAC raised the importance of ITU moving towards the development and implementation of a Statement of Risk Appetite, the publication of which is becoming increasingly important for guiding an organization at an acceptable level of risk tolerance (for example zero tolerance for fraud and compliance, and greater tolerance for innovation risks). The Committee offered some initial advice on this and will be available to offer further advice in the future. Thus IMAC invited ITU to prepare a draft of its Statement of Risk Appetite for discussion.

7 Exit meeting with the Secretary-General

- 7.1 The Chair thanked the Secretary-General for meeting with the Committee and assured him that IMAC stood ready at all times to provide expert advice to further improve the management of the Union.
- 7.2 The Chair briefed the Secretary-General on the IMAC meeting and the topics discussed, in particular the election of the Chair, External Audit, Financial Management, including the discussion on the Union's HQ premises, Internal Audit, Risk Management and the participation of the Committee at the Council Working Group on Financial and Human Resources.
- 7.3 The Secretary-General welcomed the two new members of the IMAC and took note of the observations of the Committee on the topics presented above, in particular with regard to the remarks on Internal Audit. The Secretary-General thanked the Committee for its work and wished all members, new and continuing, a successful term with the Committee.

8 Next meeting of the IMAC

- 8.1 The Committee agreed to meet again on 9-11 May 2016.