

## Summary Report of the 4th meeting

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

### 1. Introduction

1.1 The fourth IMAC meeting was held from 4 to 6 February 2013. In addition to its discussions with ITU officials about relevant topics, the Committee participated in the meeting of the Council Working Group on Financial and Human Resources (CWG-FHR) and met separately with its Chairman. The Committee also met informally with representatives of the Geneva Group of Member States. In this report the terms IMAC and Committee are used interchangeably.

### 2 Internal audit function

2.1 The Committee agreed to review the history of the staffing and activities of the Internal Audit Unit (IAU), the Internal Audit Charter, the Internal Audit Manual and the internal audit peer review reports drawn up in the past.

2.2 ITU's Internal Auditor confirmed that no audit report had been issued in 2012. This was partly because the Internal Audit Unit had been given responsibility in 2011 for helping to set up IMAC and to select the next External Auditor. The risk assessment used for the 2012 audit plan had been based on the risks that had been inventoried in the ITU operational plans. Additional risk factors were obtained from reports of the External Auditor and financial reports. Following consultations with the Directors of the Bureaux and the Secretary-General, the list of activities/audits to be undertaken had been drawn up. Two planned audits had not been conducted because of a shift in priorities and additional work done by the Internal Audit Unit. A review of IPSAS implementation had not been planned because it was a matter for the External Auditor.

2.3 Reviewing the follow-up of the Internal Auditor's recommendations, IMAC members noted that in 2008, only 20 per cent of the recommendations had been fully implemented, and that in 2011 the rate had fallen to 13 per cent. **IMAC considered it necessary to draw the administration's attention to those recommendations that had not been implemented. The Committee also concluded that the overall percentage of recommendations carried out was too low and that ITU management's response to audit recommendations needed improvement. IMAC recommended that in the future the Internal Auditor report on the percentage of critical recommendations implemented by ITU. The Committee also requested the Internal Auditor to provide information about recommendations whose implementation was taking too long.**

- 2.4 **IMAC recommended that the annual Internal Audit work plan quantify the resources needed for its implementation, emphasizing the need to be aware of the volume of work involved in order to better manage the plan's implementation. IMAC also considered it important to be informed about non-audit activities, such as an investigation, that might adversely affect the achievement of the work plan, and requested that the follow-up to the Internal Auditor's recommendations be included in the plan.**
- 2.5 The most recent review of the Internal Audit Unit had been issued in 2006 by the External Auditor. Among other things, the External Auditor recommended that the Unit develop an Internal Audit Manual. The Committee noted that this had only recently been accomplished. The Committee also recalled that the External Auditor had stated his intent to review the Internal Audit Unit in its audit of the 2012 financial statements.
- 2.6 **IMAC reviewed the Internal Audit Charter and concluded that:**
- **A paragraph concerning the independence of the audit function should be added;**
  - **The work programme should be determined by the Internal Auditor, then approved by the Secretary-General, in accordance with international standards. It should then be submitted to the IMAC for advice, in accordance with Resolution 162;**
  - **Reference should be made to IMAC and the Council and mention of the External Auditor's recommendations as well; and**
  - **The Unit responsible for investigations should not be specified.**
- 2.7 The Committee agreed to review the recently completed internal audit manual and submit their comments to Mr El Harouchy, who would report on the matter at the IMAC's next meeting.
- 2.8 The Committee decided to further review all available documents concerning relations between the External Auditor and Internal Auditor. Having identified, together with the Internal Auditor, the documents listed in the External Auditor's 2006 report that were still not available, the Committee also expressed the wish to consult the risk assessment made by the Internal Auditor or a risk matrix, the audit programme for one or more audits conducted, an audit engagement plan, and a long-term work plan.
- 3 Follow-up of the first IMAC report - Recommendations of the IMAC and Meeting with the Council Working Group on Financial and Human Resources**
- 3.1 The Committee reviewed the status of implementation of the IMAC's recommendations, noting that its role was to make recommendations and not to manage the organization, which was free to implement those recommendations or not, as it saw fit. Recommendation 1, focused on its concern about the vacant post in the Internal Audit Unit, was the only recommendation not to have been accepted. From IMAC's standpoint, the recommendation related concerns about the effectiveness of the Internal Audit Unit. IMAC's role was to evaluate the work of the Unit, including the accomplishment of its audit plan, and to express its views on the processes. The Committee noted the progress made on the implementation of its other recommendations.
- 3.2 The Chair of IMAC, during the CWG-FHR meeting, introduced Document CWG-FHR-2/7 containing the Committee's recommendations to the Council in July 2012 and reported on the implementation status. He also thanked delegates for their support of IMAC and stressed the wish that IMAC continue to engage with the Working Group and Member States on issues important to ITU.
- 3.3 Several delegates welcomed the fact that the Committee had returned to the issue of Internal Audit effectiveness and expressed support for the implementation of recommendation 1. The

delegate of Spain, for example, agreed on the need to strengthen the Internal Audit Unit; Switzerland, Sweden, France, and Mexico also expressed support for IMAC's recommendation that the vacant auditor post be filled expeditiously. The importance of ensuring that the Internal Audit Unit was an effective mechanism within the Union was stressed, while noting that the financial implications of recommendation 1 for the draft budget had to be quantified.

- 3.4 The Vice-Chair of IMAC stressed that ITU had sound foundations but in the area of risk management it was important to evaluate the impact of the current changes on the finances and implementation of the Union's objectives, and to determine the manner in which ITU was to manage uncertainty in the short, medium and long term.
- 3.5 The Deputy Secretary-General thanked IMAC for its report and welcomed the good relations that had been established with the CWG-FHR and the Geneva Group. Referring to the Internal Audit Unit, he said that the Unit had been strengthened since 2004. While there was no doubting the importance of the unit, budgetary constraints nevertheless meant that resources had to be balanced. He had taken note of CWG-FHR's concern in that regard, adding that the Secretary-General expected IMAC to provide him with a more in-depth analysis of the internal audit function.
- 3.6 The Chairman of CWG-FHR took note of the general support for recommendation 1 and expressed his openness to any new IMAC recommendation concerning internal audit. He thanked the members of IMAC for their presence and expressed his wish that CWG-FHR and IMAC continue to meet.

#### **4 Financial management**

- 4.1 The Chief of the Finance Resources Management Department confirmed that the External Auditor would have all of the necessary data, including the ASHI figures, as at 31 March 2013. The Council would have to take a decision on the Reserve Account, which, since the introduction of IPSAS, no longer corresponded to the net assets. Regarding the draft budget, drawn up in accordance with Decision 5 and based on zero annual growth, two options had been established: one presented the draft balanced budget; the other presented the same draft budget minus a number of activities.
- 4.2 The amount of the contributory unit had remained unchanged since 2006, the year in which it had been reduced to CHF 318 000. By comparison with the budget for 2012-2013, the draft budget for 2014-2015 presented an increase of CHF 17.9 million. On the other hand, revenue for 2014-2015 exceeded revenue in the preceding period by CHF 11.8 million. The increase in revenue derived from publications sales, cost recovery for satellite network filings and the change in class of contribution of one of the Union's Member States had made it possible to compensate for contribution losses on the Sector Member side. For 2014, the main expense items were the Plenipotentiary Conference and the World Telecommunication Development Conference, and for 2015, the World Radiocommunication Conference.
- 4.3 IMAC noted that the amount foreseen for withdrawal from the Reserve Account had increased compared with the preceding period and that the CWG-FHR requested a new draft budget without withdrawal from Reserve account and with no new posts.

## 5 External Audit

- 5.1 The Committee discussed plans for the External Audit in a conference call with the External Auditors in Rome. Also participating were the Head of the Internal Audit Unit, the Head of the Budget Division, the Chief of the Finance Resources Management Department, the Head of the Procurement Division and the Head of the Accounts Division.
- 5.2 IMAC highlighted the need for the new External Auditors to provide to ITU an outline of its planned work for the audit. It also recommended that the audit include an evaluation of the Internal Audit Unit.
- 5.3 **IMAC emphasized that the External Auditors should be available for all meetings of the Committee.** In view of the dates on which IMAC would be meeting, the External Auditor said he would reschedule his visit for 16 and 17 May. The audit report should be ready around 10 May 2013, subject to the exit meeting with ITU management having been held in the meantime.
- 5.4 The Chief of the Finance Resources Management Department said that he would communicate his comments upon receipt of the draft report.
- 5.5 IMAC members expressed their wish to be informed of the main lines of the external audit programme to enable them to begin cooperating with the External Auditors. Following a discussion on the type of document the committee wished to have, the External Auditors said that, around 18 February, they would be submitting a document setting out the main lines of the activities foreseen and specifying the responsible officials.

## 6 Strategic risk management

- 6.1 No additional progress in risk management had occurred since the IMAC's previous meeting, owing to the workloads related to the holding of WTSA and WCIT. The workshop planned for the early part of the year had been postponed to April. Up to this point there has been no formal budget allocated to strategic risk management in ITU.
- 6.2 Strategic risk management could be interpreted in different ways. In order to develop a dynamic culture, the aim is now to adopt a top-down, results-based approach, with the support of the management. It is challenging to put in place an appropriate framework owing to the fact that ITU's objectives would have to be reviewed as risks were identified. At ITU, the strategy was a matter for the Council and Plenipotentiary Conference.
- 6.3 **IMAC considered it important for ITU to be pragmatic, particularly by limiting the number of uncertainties and focusing only on the main ones. IMAC also stressed that the risks should be associated with ITU's main strategic objectives.** The Committee agreed that the Vice-Chair would provide her observations during the preparation of the workshop, and that she would transmit her comments on the report of the workshop.
- 6.4 **IMAC reaffirmed its support for the holding of a workshop in the interests of making risk management an integral part of the organization, and requested the Secretary, in his capacity of Executive Officer, to prepare a draft budget for the coming years.**

## **7 IMAC self-evaluation**

- 7.1 Mr Miller presented to the Committee a survey instrument based on best practices of committees similar to IMAC. Members agreed to submit their suggestions for the self-evaluation instrument to Mr. Miller. The completed instrument will be annexed to IMAC's report to the Council.

## **8 Exit meeting with the Deputy Secretary-General**

- 8.1 The Chairman of IMAC, expressing satisfaction at the fruitful interaction with the Council Working Group, reviewed the various matters covered by the Committee during its meeting: the internal audit function had been examined with a view to assessing the resources required, and the manual on procedures that had just been provided to IMAC members would be studied. The External Auditor agreed to submit a work plan very soon, and had undertaken to communicate his report to IMAC ahead of the latter's meeting in May. Regarding risk management, the Committee supported that activity, including the holding of an intersectoral workshop for which the Vice-Chair would provide support to the Secretary in providing her observations during the preparation and aftermath of the workshop. He emphasized the responsibility of senior managers in regard to risk management and observed that if the Member States considered risk management to be of importance, they should make resources available to that end. Where evaluation of the committee was concerned, a document would be finalized for the next meeting and annexed to IMAC's annual report. Finally, he reiterated that the comments of all the concerned parties (CWG-FHR, senior managers) were of great value to the work of the Committee and of ITU in general.
- 8.2 The Deputy Secretary-General underlined the fact that the administration recognized IMAC's efforts to understand and improve the organization. The Committee's establishment had been keenly supported by the Secretary-General, and the importance for the Union of IMAC's work was recognized by all. He welcomed the Committee's participation and interaction. He recalled that the External Auditor had, during the selection process, undertaken to perform to the best of its ability, and that the administration was awaiting the IMAC's report on the subject of internal audit. Resources posed a real problem, which was why there was neither budget nor staff for risk management. Given that Council-14 would be taking place in April, six months prior to the PP, and would be devoted to preparations for that conference, he emphasized that the Committee's report to be considered by Council-13 was of key importance to the future of the Union.

## **9 Next meeting**

- 9.1 In closing, the Committee reaffirmed its plan to meet 15-17 May, 2013.