Report by the Secretary-General

THE THIRTEENTH REPORT OF THE INDEPENDENT MANAGEMENT ADVISORY COMMITTEE (IMAC) – Annual Report for 2023-2024

Purpose

This report of the Independent Management Advisory Committee (IMAC) to the ITU Council contains the detailed IMAC Annual Report for the 2023-2024 activities to be presented at the meeting of the 2024 Session of Council.

Action required by the Council

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

Relevant link(s) with the Strategic Plan

ITU Strategic Plan 2024-2027

Financial implications: none

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References

Resolution 162 (Rev. Bucharest, 2022); Council Decision 633

A. The Work of IMAC

1 The Committee

1.1. This Annual Report to 2024 Council, outlines the activities conducted during the 2023-2024 period.

1.2. The membership of IMAC until the end of 2023 included Mr. Kamlesh VIKAMSEY (Chair) Mr. Honoré NDOKO (Vice-Chair), Ms. Sarah HAMMER, Mr. Alexander NARUKAVNIKOV, Mr. Henrique SCHNEIDER.

1.3. The membership of IMAC, starting in 2024, includes: Mr. Honoré NDOKO (Chair), Mr. Henrique SCHNEIDER (Vice-Chair), Ms. Chitra BARTH-RADHAKISHUN, Mr. Niel HARPER, Mr. Christof Gabriel MAETZE, Mr. Bassam HAGE. The Committee expressed gratitude for the contributions of outgoing members.

1.4. Following the Council 23, IMAC held its regular meetings on September 29, 2023, October 30 – November 1, 2023, March 13-15, 2024, and May 21-23, 2024, in-person in Geneva with remote participation arrangements.

1.5. The Committee members conducted several additional activities and attended meetings during the 2023/2024 period. The Chair of IMAC held meetings with ITU management. Furthermore, the IMAC vice-chair participated in the annual meeting of the Chairs of the UN System Oversight Committees, on December 7-8, 2023, at the UN Headquarters in New York City.

1.6. During the reporting period, the Committee actively addressed all areas of its responsibilities, with a particular focus on internal audit, risk management, internal control, evaluation, ethics, financial statements, financial reporting, and external audit. Special attention has been given to the areas of IT and IT security, as mandated by PP-22.

2 Declaration and Statement of Private, Financial, and Other Interests

2.1. Each member confirmed their commitment to uphold the organization's ethical standards by executing the declarations about the absence of conflicts of interest. These annual declarations were sent to the Ethics Office for their formal presentation to the Chair of the ITU Council in accordance with the IMAC Terms of Reference.

3 Election of the officers of IMAC

3.1. In the March 2024 meeting—the first meeting of the new mandate—the Committee unanimously elected Mr. Honore Ndoko as its Chairperson and Mr. Henrique Schneider as its Vice Chairperson for a two-year term. The Committee emphasized the importance of balanced representation across various dimensions, including gender, economic development, country size, and geographical diversity.

4   Discharge of duties and Statement of Independence

4.1. The Committee fully discharged its duties in accordance with its Terms of Reference and its workplan and requests from Management and Council.

4.2. The Committee's oversight and advisory activities were free from interference and there were no circumstances (real or perceived) of impairment of its independence. IMAC received full support and cooperation from ITU Management and staff during their regular constructive engagement, in the conduct of its work during the reporting period.

5   Status of IMAC Recommendations

5.1. Consistent with its established procedure and to facilitate the Council's oversight of the actions taken in response to IMAC's recommendations, IMAC conducted a thorough review of the progress made in implementing its previous recommendations.

5.2. Currently, approximately 78% of the IMAC recommendations have been successfully implemented, with 61 out of 78 recommendations completed. However, there are still 17 recommendations that are currently being addressed by the Secretariat.

5.3. The approval of the thirteen recommendations included in the IMAC 12th Annual Report to Council in June 2023 was deferred. Implementation actions for three of those recommendations were completed during the reporting period and they will be closed. Implementation actions for the remaining ten recommendations (listed in Annex 1 of this current report) are critically important and complement the observations and conclusions of this current report.

B. Key Conclusions and Recommendations

6.0. The Committee reviewed the output of assurance work undertaken by the independent oversight entities during the reporting period. This included the long-awaited completion of the review of the 2022 financial statements by the External Auditor in January 2024, with an unqualified opinion and a distinct modified opinion on *ex gratia* payments accompanied by matters arising and recommendations as well as the output of the Internal Audit Unit. Taken together with the Committee's consultations with oversight and integrity entities and management counterparts, the Committee considers that the fundamental functioning of independent oversight and management are in place, several areas of improvement have been identified .Therefore , the Committee continues to encourage ITU to take full advantage of opportunities to further strengthen accountability, internal control, and anti-fraud measures as part of the redesign of structures, systems and processes. The redesign should incorporate the benefits from smarter technologies and artificial intelligence.

6   External Oversight

6.1. The Committee welcomed the completion of the review and the certification of ITU 2022 financial statement with an unqualified opinion and a distinct modified opinion covering the *ex-gratia* payment. The Committee took note of agreed upon recommendations and urged Management to swiftly work on executing the implementation actions.

6.2. The Committee understands that the review and certification of ITU 2023 financial statements will not be completed in time for Council 2024 meeting. The Committee had several dedicated meetings with the External Auditor and discussed the causes of the missed deadlines. The Committee welcomed the estimated near completion of the review and the level of assurance that will be reflected in the External Auditor's interim long report. The Committee presented a convincing argument on the approach to the potential impairment or write-off the capital expenditures of the building project.

6.3. The Committee agreed to the request for a meeting in September to review the conclusions of the External Auditors prior to their certification and release of audit opinion.

6.4. The Committee will review the workplan of the External auditor in the last quarter of 2024. The review of the workplan is expected to confirm that the review of ITU 2024 financial statements will be back on a regular track and will be completed before Council 2025.

7 Independent Internal Oversight

Internal Audit

7.1. The Committee met regularly with the Head of Internal Audit to discuss audit programs, processes, and outcomes. Concerning the status of implementation issues raised by Internal Audit, the Committee noted the presence of longstanding recommendations yet to be implemented and recommended establishing agreed-upon deadlines with the concerned departments when the reports are issued for their action and implementation.

7.2. IMAC has observed with concern that several Internal Audit recommendations remained unaddressed, some dating back to 2016. The delay in implementing critical audit recommendations undermines the effectiveness of ITUs' governance, risk management, and control processes. The IMAC urges ITU Management to prioritize the resolution of these outstanding recommendations.

7.3. IMAC notes that while progress has been made in some areas regarding these recommendations, the total stock of open audit issues has remained stagnant (at 29 open actions for the forensic audit and 67 open actions for the internal audit). The Committee highlights the importance for all entities within ITU to implement the action recommended. The Committee places special importance on the accurate and timely resolution of the issues identified in audits because of their importance and positive impact on the overall organization. On the other hand, unresolved audit findings present a high risk for ITU. Accountability needs to be strengthened in this regard.

Oversight Unit

7.4. IMAC was regularly briefed and provided advice and guidance as requested on matters relating to the establishment of the Oversight Unit. Further comments and suggestions on the draft charter of the Oversight Unit were provided in a separate document to the CWG-FHR.

7.5. Furthermore, the Committee believes that the Oversight Unit's Charter should be accompanied by the streamlining of all relevant processes, policies, instructions, and other administrative rules and regulations within ITU and the alignment of the mandates of other independent functions. Independence, accountability, and impartiality in functions such as Oversight and Ethics are particularly important and should be reflected in the mandates.

8   Accounting and Financial Management and reporting

Proposed Amendments to Financial Regulations and Financial Rules - Edition 2018

8.1 The Committee reviewed the amendment proposals and advised avoiding confusion between the Income and Expenditure statement elements and categories of the institution's balance sheet, equity, and capital reserve. The Committee also advised verifying the realism of the scope and timing of the proposals.

Financial Management

8.2. The Committee appreciated the efficiency saving efforts and opportune management of income from interest rate changes that have helped to absorb the initially projected deficit and to close the 2023 financial period on budget.

8.3. The Committee commented on the risks and stress of recurrent structural budget deficits and noted that the new biennial budget cycle starting in 2024 may have enhanced margins of manoeuvre.

8.4. During its March 2024 meeting, the Committee took note of the ongoing efforts to enhance the accounting function. It encouraged FRMD to fast-track the completion of the recruitment and onboarding of the two professional accountants approved in the 2024 staffing plan.

8.5. The Committee especially discussed the actuarial approach to liabilities related to ASHI and the associated ASHI fund. Both these elements were generally found to be prudent. Committee members discussed whether the fund, with its long-term perspective, should develop an investment strategy.

> Recommendation 1
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> In order to reduce the lag of coverage of the ASHI contingent liabilities IMAC recommend that ITU Management follow the best practices of including an ASHI top up of 4% to 6% in the budget cost of new hires. This should be done as soon as possible and no later than January 2026.

8.6. Generally, the Committee notes that financial management resources are not being used to their full capacity, which can lead to bottlenecks.

8.7. IMAC members expressed concern on the journey needed to deliver a quality audit file to the external auditor and the Committee was pleased to hear from the external auditors of the major improvements noted in the finalization of the 2023 financial statements compared with the 2022 financial statements.

> Recommendation 2
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> IMAC recommends that ITU conduct a gap analysis to assess areas for improvement whether in the processes in place or the skill set needed to strengthen the financial statement close process.

9   Headquarters Premises Project

9.1. Updates on the ITU's new building project highlighted the need for timely decision-making and effective governance to ensure project success.

9.2. IMAC highlighted the need for transparent communication to mitigate risks and control costs. IMAC also advised a comprehensive scoping of potential liabilities and indirect cost associated with the next phases of the project, this includes the risk of impairment or write-off of the accrued project capital expenditures.

The ITU in General and Strategic Initiatives

10   Transformation

10.1. The IMAC continued to constructively engage with Senior Management on the Transformation Roadmap to achieve enhanced operational excellence. IMAC has regularly reviewed Transformation updates and remains largely confident that the prioritized measures support the goal of modernizing ITU operations and leading to mid-term productivity increases.

10.2. The Committee reiterated its views that a transformative initiative of this magnitude requires dedicated appropriate level resources with key capabilities such as project management, change management, business process reengineering, technology, and internal control, among others. IMAC continues to believe that Senior Management should focus on setting the guardrails of the Transformation roadmap while leaving implementation to an empowered transformation team that closely cooperates with ITU line management and their respective teams to ensure buy-in into measures.

10.3. The IMAC believes that an operative transformation team with pre-established deliverables, responsibilities, and means, would benefit the ITU beyond the current transformation exercise as it would contribute to strengthening change capabilities and capacity across the organization.

10.4. The IMAC broadly supports the sequencing of the overall ITU transformation roadmap. A well-sequenced structured transformation program consisting of a portfolio of transformation measures across the entire organization is well-suited to implement ITU's required modernization and productivity enhancements.

10.5. The IMAC has invited the Senior Management to ensure that the overall transformation program is aligned with ITU's prevailing change capabilities and capacity and avoids the pitfalls of overoptimistic frontloading. Launching initiatives should be clearly aligned with the build-up of central transformation team capacity.

11   Sector strategy and programmes: Bureau of Telecommunication Development (BDT)

11.1. In the October session, the BDT Director presented a comprehensive strategy update, highlighting new opportunities and addressing challenges and risks. Emphasis was also placed on controls, fraud prevention, and oversight within the development sector.

11.2. The Committee encouraged BDT to define success metrics for the development sector and to establish measurable progress indicators.

11.3. The importance of intersectoral coordination with other bureaus, alignment with the Union's overarching goals, and potential collaborations with development banks and UN agencies were emphasized.

11.4. While commending BDT's remarkable increase in trust-funded technical cooperation, the Committee encouraged continuing efforts to exercise selectivity, reduce fragmentation, and ensure appropriate cost recovery.

11.5. The committee expressed its gratitude for the valuable contributions of the BDT representatives during the meeting and acknowledged the clarifications provided by the BDT Director.

Recommendation 3

In support of ITU strategic objectives and commitment to enhanced effectiveness and efficiency, IMAC recommends the preparation and implementation of a realistic plan of convergence and harmonization of the rates of recovery of overhead cost of technical cooperation projects. The plan should be guided by the principle of full cost recovery.

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12   Risk Management

12.1. The secretariat introduced policies that integrate risk management and compliance activities, utilizing the Maturity Model for Risk Management in the UN System to improve risk management efforts.

12.2. The IMAC advised that establishing a designated central compliance function should be considered. A strong and independent second-line compliance function will be part of the Three Lines model and will assist in strengthening the effectiveness of the control framework. Further, it is likely to lead to regular reassessment of the effectiveness of processes and controls.

12.3. The Committee further advised that an ITU-wide risk and control mechanism would be beneficial. It would assist in building risk and control awareness and the capacity to sustain an effective control environment. It should be built in parallel with the transformation journey that ITU is embarking upon. This can be done in stages by ensuring all controls are well documented, validated, and subsequently checked for effectiveness by the Internal Audit Unit. Finally, the Committee believes introducing Enterprise Risk Management (ERM) function is beneficial.

12.4. A key element of the risk management framework should be addressing the risks associated with the integration of artificial intelligence (AI) with ITU's operational processes. Key risk exposures include legal, ethical, operational, financial, and reputational.

13   Human Resources

13.1. Discussions with HRMD focused on progress in implementing recommendations and aligning staff development with organizational needs.

13.2. IMAC advised on streamlining HR processes and enhancing information security frameworks.

13.3. The Committee advised expanding the assessment of the organization's current skill sets and determine the necessary adjustments and staff development to align with its future needs.

Recommendation 4

The Committee recommends setting up a two-year cycle of the Employee Engagement Survey, the first of which should be conducted by early Autumn 2024. The first survey will provide a useful baseline and could support a momentum of a broad engagement across ITU in the preparation, ownership and implementation of follow up action plans.

Internal Justice System

13.4. The Committee learnt of an ongoing comprehensive effort to update the legal framework and policies supporting the ITU internal justice system. The Committee advised to seek input from all relevant parties and to conduct a transparent consultation process. IMAC provided guidance on specific instances related to the disciplinary process.

14   Ethics Office

14.1. The Committee reviewed regular quarterly activity reports presented by the Ethics Office and provided guidance as needed. The Committee advised to affirm the roles and responsibility of the Ethics Office in relation to the establishment of the Oversight Unit and the reform of the Internal Justice System. This could be done through formulation of a clear mandate for the office, as an alternative or precursor to an Ethics charter. The contribution of the Ethics Office to the protection against retaliation and to a system of protection of victims of sexual exploitation, abuse, and harassment (SEAH) should be emphasized and supported.

14.2. The committee continues to monitor the establishment of yearly mandatory training on ITU's Code of Conduct, its Code of Ethics and on the services available from the Ethics Offices, such as on resolution of ethical dilemmas.

15   Information Technology

15.1. The Committee has observed the need for closer alignment between the Information Services Department (ISD) strategy and the overall Transformation Roadmap. Opportunities exist to achieve further benefits related to cost reduction, process efficiency, scalability, security, and resilience through the development of a strategic enterprise architecture model, increased use of cloud services, implementation of an enterprise data governance framework, enhanced security controls, and leveraging emerging technologies such as artificial intelligence (AI).

15.2. A refined cloud architecture can deliver the following benefits:

- Mobility and device-agnostic access to business IT services

- Better hardware and software asset management

- Best-of-breed security tools

- Higher performance and availability.

- Quicker application deployment through micro-services

- Business continuity (backup, recovery, and failover)

- Cost saving through on-demand computing resources (elasticity)

15.3. As ITU continues to evolve, its dependence on data has become even more apparent. The IMAC encouraged the implementation of an enterprise data governance model that will allow the organization to take advantage of the rich data that it owns, particularly in area such as implementing a data classification scheme; establishing data ethics; upholding the data privacy rights of staff; ensuring data quality; and improving data security.

15.4. The IMAC observed that the IT Security function has documented clear strategic objectives for improving the availability, integrity, and confidentiality of ITU systems, applications, and data assets. However, a number of these objectives have not been operationalized or effectively resourced. The Committee would like to see adequate top-level support and resourcing, clear work plans, and discrete projects with owners and due dates for implementation.

15.5. The Committee has observed that the organization has not developed an 'Acceptable Use of AI Policy' the govern the overall use of large language models (LLMs) in the ITU. Moreover, the IMAC also recommends that ISD explores and identifies opportunities for greater use of AI across the organization.

C. Acknowledgements

The Committee acknowledges with appreciation and gratitude the cooperation and assistance received from the Secretary General, the Deputy Secretary General, the other senior elected Directors, the management and ITU staff as well as the External Auditor and the Council during the reporting period. The Committee thanks its Executive Secretary for his support throughout the period reported.

ANNEX 1

IMAC 2023 Recommendations

Recommendation 1

IMAC recommends that ITU management provide regular briefings on the implementation progress of the Transformation Roadmap for Organizational Excellence. This will ensure transparency, accountability, and effective monitoring of the roadmap's execution towards achieving organizational goals.

Recommendation 3

IMAC recommends that ITU management takes comprehensive measures to ensure transparent change management in alignment with the implementation of the Transformation Roadmap for Organizational Excellence. This includes effective communication strategies to mobilize the entire organization and provide ownership to all staff members, fostering a sense of involvement and commitment throughout the process.

Recommendation 4

Consistent with the Transformation Roadmap, IMAC recommends that ITU management updates its Risk Appetite Statement with an emphasis towards more innovative and experimental culture.

Recommendation 5

In order to enhance revenue volume recovery and predictability, IMAC recommends that ITU management conducts a targeted update of its cost recovery methodologies with a phased convergence plan towards full recovery.

Recommendation 6

IMAC recommends that ITU management prepares and implements action plans that will bring back the volume of cost recovery to the pre COVID 19 pandemic levels.

Recommendation 7

IMAC recommends that the HQ ITU building project be subjected to an assessment by an independent third-party expert. This assessment should encompass various scenarios on the way forward to facilitate informed decision-making.

Recommendation 10

In order to mitigate the risks of ageing demographics of ITU workforce, IMAC recommends that ITU Member States be encouraged to provide appropriate financial and material support for the Young Professionals Programme (YPP) and other youth professional development initiatives.

Recommendation 11

IMAC recommends setting up IT governance to ensure clarity on the decision-making mandate, demand management process, accountability for actions agreed and committed and incentives to deliver.

Recommendation 12

IMAC recommend to ITU management to perform an IT license inventory and reconciliation, followed by a license rationalization exercise to identify potential cost-saving opportunities.

Recommendation 13

IMAC strongly advises ITU management to establish a comprehensive top-down governance framework for data, encompassing data retention policies and procedures, to safeguard historical data and ensure data readiness.

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