



THE SECRETARY-GENERAL

21 July 2022

Dear Mr. Bermúdez,

I write to acknowledge the letter dated 7 December 2021 from your predecessor on the deliberations of the United Nations Panel of External Auditors during its sixty-first regular session held at United Nations Headquarters in New York from 6 to 7 December 2021.

I would like to express my gratitude to the Panel for bringing to my attention those matters of concern related to the United Nations system. I would also like to use this opportunity to reiterate my commitment to work jointly with the United Nations oversight bodies for a more efficient and better managed United Nations, as well as in addressing all issues raised by the External Auditors.

I welcome the interest of the Panel in the specific challenges and circumstances the United Nations has faced due to the COVID-19 pandemic and the coordination of the humanitarian efforts to prevent the pandemic and its socioeconomic impacts. Please note that I have asked all United Nations system organizations to address the unparalleled challenges brought by the pandemic and they have responded very positively to this call.

Financial issues

As a result of the issuance of the International Public Sector Accounting Standard (IPSAS) 43 on Leases in January 2022 (which supersedes IPSAS 13), with an effective date of 1 January 2025, the Administration is currently reviewing the changes to the IPSAS Standard. The Administration will be organizing a series of workshops, collecting information regarding arrangements which will be affected by the changes, updating the IPSAS Policy Framework and Corporate Guidance on lease accounting, as well as working on changes needed with respect to Umoja, the Enterprise Resource Planning (ERP) system of the UN Secretariat.

The Administration is closely monitoring the issuance of new IPSAS Standards based on Exposure Draft 70 (Revenue with Performance Obligations), Exposure Draft 71 (Revenue without Performance Obligations) and Exposure Draft 72 (Transfer Expenses) and has started work to develop a workable process/IPSAS policy and guidance in compliance with the expected new standards. This will also require changes in system entities' ERP systems and the development of new reports.

Mr. Jorge Bermúdez
Comptroller General of the Republic of Chile
Chairman of the United Nations Panel of
External Auditors
New York

The need for continued vigilance in investments and risks mitigation highlighted by the Panel remains central to investments management in the United Nations. The main cash pool consists of highly rated investments in liquid bonds (largely issued by governments, government agencies and supranationals), commercial papers, certificates of deposit and term deposits in line with the principal investment objective of preservation of capital. The Administration continues to actively monitor all ratings for the investment holdings and investment counterparties.

COVID impact on internal controls

The scale and complexity of the COVID-19 pandemic demanded a coordinated global response, across all pillars of our Organization. Every one of our mandates was affected, in one way or another, by the pandemic. The COVID-19 crisis put the lives of billions of people around the globe in turmoil, inflicting grave suffering and destabilizing the global economy. I am proud that the United Nations system came together to help the world respond to the immediate effects of the pandemic – from the health response to its devastating socioeconomic impacts. The Organization was also able to adapt our systems, policies and working methods to ensure that our global operations could continue without any disruptions. Operating in a COVID-affected world was also a test of our reform agenda, and I am pleased to report that our new processes and structures have proven instrumental in enabling us to remain open and function effectively.

As COVID-19 influenced the way of working throughout 2020 and 2021, it became imperative that staff members support the Organization regardless of their method of working, and that they understand the importance of internal control as part of their roles and responsibilities. The Administration designed, developed and delivered a self-paced online course, entitled “Fundamentals of Internal Control”, available to any staff member who is interested in learning more about internal control, regardless of work area, grade, or years of experience. The objective of the course is for staff to educate themselves on the importance of internal control as part of our efforts to ensure that internal controls are designed to reduce and manage, rather than eliminate, the risk of failure to achieve the objectives of the Organization.

In accordance with the relevant framework provided for in the United Nations Procurement Manual, Emergency Procurement Procedures (EPP) were activated in March 2020 across all commodities in response to the COVID-19 pandemic. The activation of the EPP was specifically designed to support all Secretariat entities, including special political missions, peacekeeping missions, Offices away from Headquarters and other Funds and Programmes, to ensure availability and the provision of necessary goods and services to client entities in a timely manner while maintaining appropriate controls. This was conducted transparently, with full disclosure and reported consistently in consonance with the EPP.

Since the early stage of the pandemic, the Department of Operational Support (DOS) proactively engaged with peacekeeping missions to conduct a supply chain impact analysis to guide missions with the early ordering of goods and services, along with stock replenishment, to mitigate the potential impact of airspace and border closures.

The required medical supplies and equipment in response to the pandemic were sourced and delivered through intense collaboration between logistics, procurement, the United Nations Logistic Base (UNLB) and other stakeholders. The proactive action to centralize procurement activities played a significant role in delivering a timely response to the requirements of field missions, while ensuring cost-effective solutions. For example, the United Nations finalized contracts for ventilators in late March 2020, while major buyers were entering the market with large orders and was able to procure supplies prior to market saturation and the ensuing delays. The UNLB also played a key role in mission preparedness, particularly in the delivery of strategic deployment stocks of personal protective equipment and newly sourced medical equipment and consumables.

Outsourcing of services, especially hiring of non-staff by third parties

The Joint Inspection Unit (JIU), in its report A/75/551, underlined that it had to use the definition of outsourcing included by the United Nations Procurement Practitioner's Handbook (October 2017)¹ as they could not find a common one for the United Nations system². It is important to note, that even these definitions are centred in commercial activities and do not represent the different sources the United Nations use to ensure the provision of some of the services it demands and/or the externalization of some of its business processes (i.e., shared services, United Nations system's entities acting as service providers, etc.).

Under these circumstances, our efforts have been focused on developing specific frameworks to regularize these different modalities, rather than a general framework for all the activities that are encompassed in the definition of outsourcing. In the case referred to in the Panel's letter in which a United Nations entity uses the services of another one to implement some of its activities, that relationship is generally governed by service agreements and/or memoranda of understanding; and there is certainly the need to develop general norms to improve transparency and the management processes, further to those that might be established by Financial Rule 105.11 and the United Nations policy framework for International Public Sector Accounting Standards, learning from the progress made in the case of implementing partners.

In the case of the Secretariat, we are currently negotiating with one of the main service providers to the Organization and we are looking forward to deriving lessons from the experience of the Secretariat that could be useful to be brought to the High-level Committee on Management (HLCM) for its consideration.

¹ "The process of contracting out a business process, which an organization may have previously performed internally or which the organization deems necessary or important, to an independent company, supplier or contractor where the process is purchased as a service."

² Outsourcing is defined in report A/53/818 as "contracting with a third party to provide non-core activities and services (including, where applicable, related goods), which activities and services have been or could be provided by United Nations staff".

Supply chain

The Administration wishes to clarify that, as stated under “COVID impact on internal controls” above, the EPP were activated in March 2020 to ensure availability and the provision of necessary goods and services to client entities in a timely manner while maintaining appropriate controls. The Administration reiterates that this was reported in a transparent manner in full compliance with the relevant framework provided for in the United Nations Procurement Manual. Moreover, the United Nations Secretariat has taken additional steps towards enhancing transparency, for example, details on the award of contracts and purchase orders made by all Secretariat entities are now accessible via the United Nations Procurement Division (UNPD) website and the UNPD mobile application.

In terms of Contract Management and Contract Administration, in line with the procurement principles of transparency and accountability, and to facilitate internal and external audits, procurement officers must maintain fully documented files for every solicitation and every contract. The Procurement framework specifies in detail the documents that, at a minimum, such files should contain. Procurement files should be retained in accordance with the applicable retention policy.

Unsuccessful vendors that participated in solicitations resulting in awards above \$200,000 are given the opportunity to obtain additional information on the reasons why their proposals did not receive an award through a formal debrief process. This debrief is not an adversarial procedure but rather a collaborative learning opportunity for unsuccessful bidders and for the United Nations to exchange additional information, including the perceived strengths, deficiencies and weaknesses in the bidders’ proposal.

Delays in the delivery of goods and services have been a systematic risk for all entities around the world primarily due to challenges affecting the global supply chain and shipping disruptions, airport/border closures and movement restrictions. As stated under “COVID impact on internal controls” above, the United Nations Secretariat supply chain, despite these challenges, managed to source and deliver COVID-19-related goods and services in a timely manner, having undertaken an early impact analysis, market and client engagement and centralized sourcing and distribution.

“Delivering as One” and other United Nations reform initiatives have accelerated efforts among organizations of the United Nations system to collaborate and cooperate on procurement. The High-level Committee on Management Procurement Network (HLCM-PN) has also endorsed specific guidance to facilitate collaborative procurement. Moreover, the issuance of the “Mutual Recognition” statement in 2019 formalizes the commitment of organizations of the United Nations system to use or rely on the policies, procedures, system contracts and related operational mechanisms of other organizations of the United Nations system for the implementation of activities in the most efficient manner, as well as providing greater resilience.

Accordingly, the Procurement framework provides for a mechanism that would implement the above principles by which the United Nations Secretariat can carry out common procurement actions together with other United Nations system organizations, the United Nations Secretariat enters a contract relying on a procurement decision of another United Nations organization, or it requests another United Nations organization to carry out procurement activities on its behalf. Examples of those activities during the pandemic are the United Nations Secretariat partnering closely with the World Food Programme and establishing a joint aviation cell which ultimately concluded around 20 contracts for Air Ambulance services/standby Air Charter; the United Nations Secretariat also concluded contracts with private hospitals to support the mechanism. The United Nations Secretariat also established and led the United Nations system-wide COVID-19 Vaccination Programme, which has brought together 32 United Nations system entities to support their respective staff, dependants, and partners.

Implementation of common back-offices

The Administration agrees with the importance of keeping the Panel of External Auditors regularly informed of all developments in the common back-office policy to facilitate effective and efficient audit arrangements. The importance of this is further amplified by the need to enable the application of the Mutual Recognition Principle across United Nations operations to achieve efficiency gains while ensuring due diligence and adequate management of risks.

Environmental and social governance concerns for the United Nations

Environmental, Social and Governance (ESG) reporting

Environmental, Social and Governance (ESG) reporting has been developed for companies and businesses to report on their performance in the ESG areas and is also often used for guiding socially responsible investing. A robust reporting framework is critical to tracking and measuring progress towards the Sustainable Development Goals (SDGs).

We share the concern of the Panel of External Auditors that corporate sustainability disclosure is currently inadequate and agree with the challenges that have been highlighted, such as a lack of comparability across companies, voluntary and selective disclosure by companies, outdated and backward-looking data, and multiplication of competing reporting frameworks.

The United Nations has been putting forward recommendations for addressing issues related to ESG reporting, including through the yearly Financing for Sustainable Development Report (FSDR) and the Global Investors for Sustainable Development (GISD) Alliance. For example, the GISD Alliance produced a report on sector-specific, SDG-related metrics that could enhance the impact of the measurement companies on sustainable development.

The United Nations development system (UNDS) has mainstreamed and embedded key ESG reporting and indicators in other areas of its work including through the implementation of the mandates contained in the United Nations General Assembly resolution on the Quadrennial Comprehensive Policy Review (QCPR) of operational activities for development (A/RES/75/233) of December 2020.

UNDS entities have developed and embedded key indicators on ESG into a comprehensive monitoring framework on the QCPR to report on implementation and impacts. This QCPR Monitoring Framework is reported annually as part of my report to the Economic and Social Council and the General Assembly on QCPR implementation and includes 43 indicators, specifically on the mainstreaming of economic, social and environment responsive approaches into UNDS policies, plans and delivery. Indicators are measured through official data or surveys of key stakeholders, in many cases, Programme Country Governments themselves.

For example, indicator 2.3.6 measures the number of UNSDG entities that: (i) have greenhouse gas emission reduction targets established in their Environmental Management System; and (ii) whose greenhouse gas emission reductions are on track with their established targets.

UNDS entities also use these indicators in the formulation of their strategic plans and respective integrated results frameworks reported to their Governing Bodies.

United Nations entities have provided reports on environmental performances of the United Nations operations, including the United Nations Environment Programme, the United Nations Framework Convention on Climate Change and peacekeeping missions. The Scaling Up Nutrition (SUN) and the Greening the Blue initiatives have established reporting on some environmental issues; a report has been published annually. Comprehensive ESG reporting would potentially imply much more in terms of scope than is covered in the Greening the Blue reports.

The United Nations is also reporting on several ESG-related topics in its [annual report](#). For example, the carbon footprint of United Nations entities and gender balance in the workforce are typically included in the United Nations report. The United Nations could reflect and analyse whether metrics and methodologies used, whenever applicable, are aligned with best practices.

Targets for reporting on environmental performance are included in the Strategy for sustainability management in the United Nations system, 2020–2030, Phase I: Environmental sustainability in the area of management ([CEB/2019/1/Add.1](#)), which was endorsed by the United Nations System Chief Executives Board for Coordination (CEB) in 2019. Phase 2 of the same strategy ([UN Sustainability Strategy II](#)) endorsed by the CEB in 2021, includes a draft proposal for a scorecard to measure progress at the entity level, which includes an indicator on reporting.

The Strategy specifically calls each United Nations entity to:

1. take steps to integrate information about its environmental sustainability performance (including safeguards) into annual reports;
2. strengthen internal efforts to report as part of the system-wide Greening the Blue environmental report with the target that, by 2030, 100 per cent of annual reports in United Nations entities integrate progress on internal sustainability (safeguards, environmental management system, Greening the Blue); and
3. put in place a mechanism for the comprehensive tracking of and public reporting on its environmental and social performance.

It may be important to stress that the United Nations is a very different type of entity than private companies. ESG metrics for the United Nations most often need to be tailored to the specificities of the United Nations and are geared towards impact measurement. While increased convergence and standardization provide a wider range of standards and metrics to consider, the reporting needs and realities of an international organization are not the same as those of the private sector.

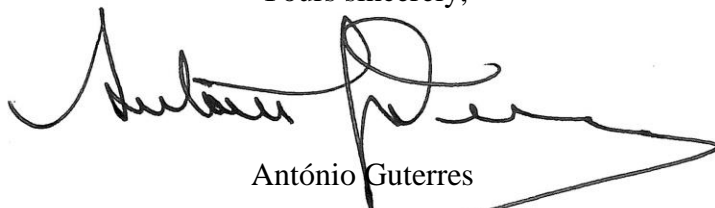
External Audit community in helping to increase transparency and confidence in reporting

We welcome the role of the External Audit community in helping United Nations entities increase transparency and confidence in reporting. The Panel, for example, could provide guidance to United Nations entities in their effort to enact reporting systems tailored for their stakeholders. The focus of the Panel's efforts could be to enable United Nations entities to initiate ESG reporting and over time codify and disseminate best practices more widely through the United Nations system.

I appreciate the communication and exchange of views between the United Nations entities and the Panel of External Auditors. The matters of concern reflected in the letter of the Panel are of high importance and have been duly brought to the attention of the High-level Committee on Management and of all its networks. These will be considered as part of the respective agendas of the Committee and its networks, as appropriate.

Please accept my thanks and appreciation for the ongoing constructive engagement. We look forward to continuing the fruitful and cooperative relations with the Panel.

Yours sincerely,



António Guterres

cc: Ms. Pollard
Ms. Das