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PANEL OF EXTERNAL AUDITORS OF THE UNITED NATIONS, THE SPECIALISED AGENCIES AND THE
INTERNATIONAL ATOMIC ENERGY AGENCY
NEW YORK HEADQUARTERS

25 November 2025

His Excellency
Mr. António Guterres
Secretary-General of the United Nations
United Nations, NY 10017

Excellency,

    The Panel of External Auditors held its 65th session at the United Nations Headquarters, in November 2025. In its discussions, the Panel considered the work of its Technical Group. The Panel's letter provides an opportunity to bring significant issues to your attention in your role as Chair of the United Nations System Chief Executives Board for Coordination (CEB). The Panel welcomed your comprehensive response to its previous letter. The Panel looks forward to your reply once again, and to being available to the CEB's network to engage on the areas highlighted in the attached annex.

    The Panel recognises the significance of the UN80 initiative and the opportunity it creates for the system to address long-standing structural challenges. The analyses presented by Mr. Guy Ryder, Under-Secretary-General for Policy and Chair of the UN80 Task Force, Ms. Catherine Pollard, Under-Secretary-General for Management Strategy, Policy and Compliance, and by the HLCM networks confirm the scale and urgency of the issues now facing the system, including the sharp contraction in available funding UN80 provides a rare moment to drive coherent, system-wide reform, strengthen financial resilience and modernise operating models.

    The financial and operational challenges currently facing the System have far-reaching implications. Strengthening financial resilience will require disciplined cost management, clearer identification of major cost drivers and duplication, and more consistent tracking and validation of benefits arising from reforms and efficiency initiatives. In this context, the Panel underscores the need for a more agile and integrated UN System to safeguard its ability to deliver for those who depend on its mandate the most.

    The Panel reiterates the importance of stronger system cooperation and coherence to reduce fragmentation and improve the efficiency and impact of UN operations. It encourages entities to draw more consistently on the Joint Inspection Unit's system-wide perspective and to support the objectives of UN80, including greater operational integration and more transparent reporting of harmonisation benefits. The Panel also underlines the potential of structured mutual recognition – supported by agreed service standards, clear accountability, reliable assurance mechanisms and measurable outcomes – to reduce duplication, improve administrative efficiency, and strengthen confidence in cross-entity service delivery.

    The Panel emphasises the need for robust governance, effective internal control and stronger oversight. Performance audit continues to play a vital role in assessing organisational effectiveness, and the Panel encourages timely implementation and closer monitoring of recommendations. Digital transformation is an important opportunity to modernise operations and improve data quality, but requires coherent planning, aligned strategies and strengthened risk management. The Panel recognises the COSO-based internal control frameworks and the importance of embedding these principles into day-to-day management, supported by strong internal oversight to maintain assurance and accountability across the United Nations system.

Yours sincerely,

Gareth Davies
Chair of the United Nations Panel of External Auditors
Comptroller and Auditor General of the United Kingdom

## Annex

## Areas Highlighted Year 2025

**Financial health, cost reduction and benefits realisation**

1.      The financial position of several organisations within the United Nations system remains constrained, characterised by high volatility in mobilising revenue, liquidity pressures, depleting reserves and structural imbalances between resources and mandates. While external financial conditions have contributed to this environment, internal cost drivers and limited flexibility in operating models have also played a significant role. The Panel acknowledges that renewed attention to financial sustainability and process reform is required to protect core functions.

2.      Across the system, strengthening financial resilience will also depend on a more deliberate and coherent and structured approach to cost management and benefits realisation. This requires moving beyond isolated efficiency initiatives towards a clearer, shared understanding of major cost drivers, structural pressures and opportunities for system-wide optimisation. The Panel recognises that there are live discussions by HLCM on these issues which Panel Members will follow. Examining the allocation of resources, how services are delivered and identifying duplication are opportunities to identify sustainable efficiencies. It will be essential that any cost-reduction measures are supported by clearly defined plans that set out the expected benefits and by tracking progress systematically on the projected savings. Further, it is important to consider reviewing existing reserves and accumulated fund balances to determine opportunities to deploy these into programme delivery. These reserves may sit outside immediate operational planning and, if left unexamined, represent locked capacity that could otherwise support priority mandates.

3.      The Panel therefore emphasises the importance of embedding disciplined benefits realisation within major reforms and investment programmes. Savings and efficiencies – whether arising from administrative reforms, digital initiatives or changes to workforce and shared service models – should be clearly evidenced, independently validated where appropriate, and reflected in budgets and financial plans. A structured and transparent approach of this kind will strengthen accountability, support informed decision-making by governing bodies and reinforce the credibility of reform efforts across the United Nations system.

**Strengthening system cooperation and mutual recognition**

4.      The Panel reiterates that enhanced cooperation across the United Nations system remains central to achieving coherent, efficient, and impactful outcomes. While coordination mechanisms exist, they lack the consistency, discipline, leadership, structure and system-wide reach required to overcome persistent fragmentation and overlap. A more accountable approach is essential to avoid duplication and ensure resources are deployed in line with Member States' expectations. The UN should strengthen the measurement of cooperation outcomes, and the transparency around the identification and reporting of harmonization benefits.

5.      In this context, the Panel underscores the relevance of UN80, which calls for an agile, integrated, and transparent UN system capable of addressing complex global challenges. The Initiative's three core workstreams – enhancing operational efficiency, reviewing mandate implementation, and exploring structural reforms – reflect this ambition for system-wide coherence. In

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this regard, the Panel urges the CEB to draw on the six themes outlined in the UN Board's 2024 Concise Summary (A/80/253) and leverage the Joint Inspection Unit's system-wide perspective to promote harmonisation, efficiency, and shared learning. The Panel encourages the Secretary General and executive heads to also draw more consistently upon the JIU's analytical work when formulating reforms, establishing policies and assessing institutional performance.

6.  A critical enabler of this vision is the adoption of structured mutual recognition arrangements. The Panel recognises the significant potential of mutual recognition to reduce duplication, enhance administrative efficiency, and foster integrated service delivery to allow entities to focus on their core mandate. In comparable sectors, reliance arrangements are supported by mature shared service frameworks, agreed service standards, transparent performance metrics, and independent assurance – commonly reflected in System and Organization Controls (SOC) reporting. As highlighted in our 2024 letter, the Panel encourages the United Nations system to consider adopting analogous approaches to support mutual recognition and cross-entity service provision. Such mechanisms will better assure CEB Members that controls operate effectively and risks are managed appropriately.

7.  The Panel therefore encourages CEB in their efforts to strengthen system cooperation through clearer expectations, structured mechanisms, efficient data gathering and monitoring and transparent reporting. This would provide governing bodies with greater assurance that efforts to harmonise practices translate into tangible improvements and measurable efficiency gains.

## Internal control frameworks

8.  The Panel notes the continued emphasis across the system on the COSO internal control framework, which provides a clear and well-established basis for strengthening governance, risk management and control. The Panel emphasises that meaningful progress in applying COSO relies on its effective operationalisation. In several entities, COSO principles remain more visible in policy statements than in the practical routines, behaviours and accountability mechanisms that ensure consistent control in daily management.

9.  The Panel commends entities to integrate COSO principles into core processes – risk management, planning, budgeting, procurement, human resources, digital governance and programme delivery – supported by robust testing through effective second-line assurance processes. Strengthening the second line with focused efforts is essential to ensure effective supervision and monitoring, while identifying more efficient and cost-effective control processes.

10. A strong and independent third line is crucial to underpin the first and the second line's effectiveness. Internal audit and other oversight functions must remain risk focused and have sufficient resources to provide high quality, independent assurance on the effectiveness. With increasing risks across the System, the third line's role becomes even more critical. Enhanced collaboration with UN-RIAS, along with continued coordination between internal and external audit, will further strengthen efficiency and the overall quality of assurance across the system.

## Digital transformation, system risks and governance

11. Digital transformation presents an important opportunity for the United Nations system entities to modernise operations, improve the quality and availability of data and achieve significant efficiency gains through the targeted use of new technologies mindful of the importance of ensuring cost benefits given financial constraints.

12. The Panel met representation from the DTN Network and noted the initiatives to help ensure more coherent and coordinated approach to digital transformation which should help to address fragmented digital programmes that increase complexity, raise costs, and hinder data integration and

collaboration. In particular, there is a need for UN entities to leverage more from the proven, modern ERP systems already implemented within System entities.

13.    Digital transformation must be paired with stronger governance, especially for entities acting as service providers. ERP/CRM governance should include robust internal controls, thorough testing, capacity building, and continuous monitoring. Cybersecurity must be embedded in ERM frameworks, supported by independent assessments and cross-entity information sharing. Regular reviews of digital strategies and proactive oversight are essential for secure, reliable, and sustainable outcomes.

**Performance audit**

14.    Performance audit plays a vital role in the overall assurance framework in addition to financial and compliance audit. Its objective is to assess whether organisations are delivering on their mandates efficiently, effectively and economically. Performance audits aim to provide governing bodies with useful insight into organisational performance and process maturity.

15.    The Panel emphasises that the impact of performance audit depends on the seriousness with which recommendations are taken forward. Executive heads have a clear responsibility to ensure that findings are addressed promptly, that corrective actions are properly resourced and monitored, and that improvements are embedded into regular management practice.

16.    Governing bodies and oversight committees play a central role in holding management accountable. The Panel therefore encourages the establishment of clearer expectations, enhanced monitoring of progress and clearer accountability for implementation of recommendations.

Follow-up to the responses to the 2024 letter

17.    The Panel acknowledges the progress made in several areas highlighted in last year's letter, including preliminary steps to strengthen financial oversight, improve cross-entity coordination and enhance transparency in major investments. Nonetheless, many of the underlying issues identified in 2024 continue to warrant attention particularly in the current very challenging circumstances. The Panel wishes to again highlight that sustainability reporting by UN entities remains inconsistent and often incomplete. The Panel learned that the HLCM has now decided not to adopt IPSASB's Sustainability Reporting Standard and this is a matter of concern given the UN's global leadership in climate related matters. This runs the risk that entities are not incentivised to be accountable for their environmental impacts. The Panel encourages the CEB to reconsider this decision.

18.    Following your response to us last year, the Panel received briefing on the operation of Clear Check. The Panel considered that this was an important measure and emphasises the importance of all system entities being encouraged to enter timely and fulsome information to ensure the database is fully effective.

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