



THE SECRETARY-GENERAL

21 February 2024

Dear Dr. Yatun,

I write to acknowledge receipt of your letter dated 21 November 2023, informing me of the deliberations of the Panel of External Auditors of the United Nations (the Panel) during its sixty-third regular session held at United Nations Headquarters in New York on 20 and 21 November 2023.

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 working jointly with the United Nations oversight bodies for a more efficient and better managed United Nations, as well as to addressing all issues raised by the External Auditors.

Risk Management

The paramount importance of managing emerging issues and critical risks to uphold the Organization's effective delivery capacity is highlighted through the efficacy of risk management processes. Within the United Nations system, the Risk Management Forum, a key initiative that encompasses 25 United Nations related organizations, is currently co-led by the World Intellectual Property Organization and the Office of the United Nations High Commissioner for Refugees. It operates as a multidisciplinary body reporting to the High-level Committee on Management of the United Nations System Chief Executives Board for Coordination and serves as a collaborative hub, mainstreaming risk management practices and the Reference Maturity Model on Risk Management. It offers guidance for the holistic integration of risk management across all relevant fora – such as networks and special interest groups – and operational domains, such as human resources, finance, budget and information security. It facilitates joint and early discussions on emerging risks and how to manage them, while learning from the practices of different United Nations organizations, and strengthens inter-agency collaboration.

Notably, the United Nations Secretariat maintains robust risk management practices, actively identifying and addressing emerging issues and critical risks that could impact its mandates. This includes the monitoring of the development of risk treatment and response plans for the most crucial Organization-wide risks. Periodic reports are presented to the Management Committee, as the Risk Management Committee of the Secretariat, to strengthen the strategic decision-making process.

Dr. Isma Yatun
Chair of the Audit Board of the Republic of Indonesia
Chair of the Panel of External Auditors of the
United Nations
New York

Financial and Management Issues

Challenging financial environment

My Administration shares the concern of the Panel regarding the challenging financial environment in which United Nations organizations operate. Regarding the assessed contributions of the United Nations Secretariat, the level of funding reflects the decisions of the legislative bodies. Through the assessed budget process, the Secretariat proposes a level of resource requirements that is commensurate with the mandates entrusted to the Organization. The Organization closely monitors its financial sustainability and makes proposals in line with its financial needs, including needs to address long-term liabilities.

The level of voluntary contributions in a given year is based on the priorities of donors, which can change from year to year, and therefore remains unpredictable. Extrabudgetary resources serve as a complementary and indispensable component of United Nations funding alongside the assessed resources. For some organizations, extrabudgetary resources are the sole or main funding stream. They play a vital role in expanding the operational capabilities of organizations and enable a diverse range of activities that are aligned with the mandates entrusted to said organizations. Extrabudgetary resources enable organizations to undertake special projects and to respond promptly to crises (e.g., assistance to refugees and emergency humanitarian assistance).

The United Nations Secretariat continues to operate under two streams of funding: assessed contributions and voluntary contributions. The balance between the level of assessed resources and extrabudgetary funding reflects the decisions of the United Nations General Assembly and the Security Council (on the level of assessed contributions), and the demand for United Nations services (extrabudgetary resources) within the existing financial environment.

The increasing unpredictability associated with the receipt of assessed contributions continues to present a major challenge in terms of ensuring the effective and timely delivery of the programmatic objectives, resulting in continuing requirements to implement restrictions on spending in order to align cash outflow with the anticipated inflows.

The United Nations upholds sound budget management principles that are reflected in its robust legislative processes and related reports, including the audited financial statements, and budgetary documents containing information on planned and actual resource utilization, variances analysis and a vast array of practices that segregates functions and ensures tight internal controls that are conducive to the effective stewardship of United Nations resources. In addition, there is a systematic critical review of practices aimed at assessing the effectiveness of its plan and the efficiency of its resource-use, promoting a culture of continuous improvement and a commitment to transparency and accountability in line with reform initiatives providing assurances regarding the soundness of financial and budgetary management.

Engagement with the United Nations Task Force on Accounting Standards (TFAS)

While United Nations organizations have agreed among themselves to key standard provisions in contribution agreements, there is no United Nations system-wide strategy on how to engage with key donors to accept and agree to standard contribution agreements. Thus, linking or emphasizing the implementation of new International Public Sector Accounting Standards (IPSAS) to the contribution agreements is not recommended.

The Task Force on Accounting Standards (TFAS) welcomes the feedback from the Panel and appreciates the ongoing collaboration. TFAS will continue its efforts to support consistent interpretation, appropriate application and implementation of standards across the United Nations system entities, taking into account the needs of individual entities, and will collaborate with all stakeholders, including the Panel, standards setting bodies and other interested parties. This approach is also applicable to the common actuarial assumptions for after-service health insurance liabilities, as well as to all other issues in the United Nations system. The Task Force plays an advisory and facilitation role; its guidance is adopted on a voluntary basis by the United Nations system entities.

The common methodology for actuarial valuation for after-service health insurance liabilities is based on General Assembly resolution 68/244, in which the Assembly requested the Secretary-General to undertake a survey of health insurance plans across the system and explore efficiency and cost containment options. My Administration has set up a Working Group on After-Service Health Insurance (ASHI), which undertook the exercise and submitted a report, which was endorsed by the Advisory Committee on Administrative and Budgetary Questions (ACABQ), agreeing on the use of the common valuation methodology for after-service health liabilities for the United Nations system, with effect from December 2017. TFAS/United Nations system entities use this valuation methodology, apply it to the unique circumstances of each entity, which may result in different discount rates for each individual entity. TFAS will share the guidance with the Panel, as well as with other stakeholders, at the appropriate time.

Management Issues

My Administration concurs with the importance of transformation initiatives having clear objectives and governance mechanisms to track delivery and benefits.

As stated in my latest report on the quadrennial comprehensive policy review (QCPR) implementation (A/78/72), in 2022 the United Nations development system was able to identify realized efficiency gains of \$405 million – a 47 per cent increase over 2021. Every dollar saved through more efficient operations translates into an additional dollar allocated to development activities.

The focus on common premises is to scale up in 66 of the highest cost locations globally. As of March 2023, 30 per cent of United Nations premises are common premises, accommodating 55 per cent of United Nations personnel – an improvement compared to 26 per cent of common premises accommodating 45 per cent of staff in 2021.

Nearly all (129) United Nations Country Teams (UNCT) have at least one common premises. Progress includes an increase in the co-location of offices in a common premises and the creation of new common premises, with 25 ongoing projects, including several government-provided rent-free buildings. Together, these efforts yielded a total of \$1.6 million in efficiencies (compared with \$1.3 million in 2021). Common premises are also a powerful enabler for other efficiency-related initiatives, such as the business operations strategies and the Common Back Office.

Climate Change and Sustainable Development Issues

Sustainability reporting

The monitoring and reporting framework of the Strategy for Sustainability Management in the United Nations System, 2020-2030 (Phase II): Towards leadership in environmental and social sustainability, was developed in 2022-2023 by a Working Group of the United Nations Environment Management Group (EMG) and was tested by six United Nations entities from August to September 2023. A draft of the monitoring and reporting framework was presented to the Network of Sustainability Focal Points on 12 October 2023.

With regard to the comment on existing United Nations (system) reporting, until the above-mentioned framework is finalized, reporting on environmental, social and governance (ESG) matters (including both environment and social) is assigned to different entities. For instance: the [environmental aspects of sustainability reporting](#), are coordinated by the United Nations Environment Programme (UNEP) and the EMG, following best practice while adapting to the reality of the United Nations system and its complexities. For social issues, such as gender or disabilities, reporting is implemented by UN Women and the Executive Office of the Secretary-General, respectively.

My Administration welcomes the role of the external audit community in helping organizations within the United Nations system to more effectively address environmental sustainability management. On this matter, UNEP has a common standard of reporting since 2008, which has been updated more recently on the occasion of the [Strategy for sustainability management in the UN System 2020-2030 – Environmental Sustainability in the Area of Management \(Phase I\)](#). This has enabled comparison and consistency in progress on a growing number of environmental impacts. The “Greening the Blue” report provides details of the methodologies adopted under Phase I for each [reporting area](#) (GHG emissions, waste, water, air pollution and environmental management, among other aspects). As we approach the midpoint of the “Greening the Blue” report, UNEP is available to provide more details, reflecting on positive trends, lessons learned and areas to be improved in response to the changing situations.

Sustainable Procurement

The 2030 Agenda for Sustainable Development, and specifically Target 12.7, points at public procurement as one of the strategies towards the achievement of the Sustainable Development Goals. Procurement is a mechanism that contributes to global efforts working to achieve resource efficiency, tackle climate change and address social issues ranging from human rights and gender equality to decent work and employment. In this context, sustainable procurement incorporates social, economic and environmental considerations seeking resource efficiency, improving the quality of products and services and ultimately optimizing costs.

Sustainable procurement aligns procurement needs with the commitment of the United Nations to reduce the overall footprint of field missions, recognizing that climate change remains a significant priority. Member States have recognized the efforts of my Administration in this area and have supported the strategic emphasis placed on the implementation of the multi-year environmental strategy, as seen in the recent mandates from the General Assembly (i.e., A/RES/76/274 and A/77/19) and several Security Council resolutions, e.g., S/RES/2666 (2022), S/RES/2659 (2022) and S/RES/2677 (2023). In its resolution A/RES/76/274, the General Assembly requested “the Secretary-General to develop, in consultation with Member States, a way forward to ensure continuity in his efforts after the ending of the strategy in 2023”. In addition, the United Nations encourages vendors to participate in the United Nations Global Compact and to adopt sustainable and socially responsible policies. The consideration of a formal requirement for its compliance could certainly be explored.

While much progress has been achieved in this area within the United Nations system, with almost the universality of United Nations organizations having introduced sustainable procurement within their procurement governance, full adoption of the sustainable procurement concept by the United Nations Secretariat has been hampered due to a lack of support from policymaking organs, despite multiple reports thereon by the United Nations Secretariat. My Administration welcomes the Panel’s determination of environmental, including climate change, and sustainable procurement practices as strategic issues and its disposition of cooperating with the wider CEB network to address them.

Financing mechanisms to address climate change

The United Nations system consists of several players with different roles, both at the policy level as well as at the implementation level, on sustainable development, including climate finance. While the Secretariat of the United Nations Framework Convention on Climate Change (UNFCCC) addresses the intergovernmental climate policy track, entities, including UNDP and UNEP, provide programmatic support on climate financing frameworks, technical assessments, as well as technical assistance for developing countries to access financing to enable a shift to low-emission and resilient pathways aligned to national development priorities. The Department of Economic and Social Affairs (DESA) also facilitates intergovernmental dialogues, analyses and capacity support on tax cooperation, private sector finance and debt sustainability, in the context of sustainable development.

My Administration's Policy Brief on "Reforms to the International Financial Architecture", prepared in advance of the Summit of the Future, was an effort to provide an overall guidance to the reform process from the United Nations perspective. Collectively, the United Nations made specific proposals highlighting that climate finance and financing for sustainable development cannot be separated. My Executive Office coordinates the provision of policy guidance to both external and internal actors on sustainable development finance, including climate finance, in line with this vision.

Responsible Investment by the United Nations System Organizations

Through the United Nations Working Group on Common Treasury Services (WGCTS), a subgroup was established in November 2022 to work on the area of responsible investment. This Sub-Working Group reviewed existing approaches employed across the United Nations system and facilitated knowledge-sharing from the organizations that were more advanced in this area. The Group drew on inputs from and consultations with the United Nations Principles for Responsible Investment and the United Nations Global Compact. The Group also liaised with the United Nations Joint Staff Pension Fund to build on its experience. This collaborative approach was aimed at defining a United Nations system-wide responsible investment framework, incorporating ESG factors in the investment process. The formulation of a common approach to the engagement of external investment managers was also part of the work of the Group. The efforts of this group of practitioners resulted in the development of the Responsible Investment Statement which was endorsed by the members of the Finance and Budget Network at their meeting in November 2023.

The Responsible Investment Statement is a guide and recognizes that the approach to implementation, including standards and metrics, may differ among the United Nations entities. It also recognizes that consideration of ESG factors may take different forms in different portfolios, such as ESG integration, impact investing, engagement, proxy voting and screening. The Statement recognizes that many United Nations organizations have already implemented robust policies in this area of responsible investing, and it also provides standards for external investment manager engagement and recognizes the approach of United Nations organizations to evaluation. It further provides for participating United Nations organizations, at the working level and in line with their own processes and policies, to share good practices and lessons learned with other United Nations organizations on an ongoing basis.

Digital issues

The Administration appreciates and concurs with the Panel's observations regarding the continued high level of risks posed by cyber threats. While not unique to the organizations within the United Nations system, the escalated threat level directly impacts daily operational activities as well as strategic areas, such as the reputation of organizations and their ability to deliver on mandates.

To address these risks, strong governance and assurance processes are not only needed for information systems, but for substantive information management as well, including the increasing focus on data protection and privacy.

With respect to inter-agency coordination, broader strategic coordination efforts are provided under the auspices of the Digital and Technology Network (DTN), under the High-level Committee on Management, and the Inter-Agency Working Group on Artificial Intelligence (IAWG-AI), under the High-level Committee on Programmes, as well as operational coordination within the United Nations Information Security Special Interest Group (UNISSIG). This body develops proposals for common technical baselines, and also provides a platform to coordinate the response to large-scale and cross-cutting attacks.

The importance of adopting an Enterprise Resource Planning (ERP) tool (or process/approach) in driving improvements in efficiency, effectiveness and accountability is a shared belief. A number of organizations within the United Nations system have recently made significant investments in new or modernized systems and the United Nations Secretariat continues to invest in the Umoja system.

Role of the External Auditor

The work of the External Auditors can greatly contribute to all the workstreams highlighted in this letter.

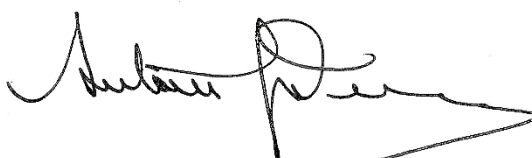
The efficiency-related initiatives of the United Nations system could further benefit from formal recognition by the External Auditors, as was done through a formal statement on the Principle of Mutual Recognition by the United Nations Representatives of Internal Audit Services (UN-RIAS) in March 2023. My Administration counts on your continuous support for the Principle of Mutual Recognition and other enabling principles and workstreams.

Due note has been taken of the significance of the number of strategic issues highlighted in the Panel's letter and these have been duly brought to the attention of the High-level Committee on Management and of all its networks. They will be considered as part of the respective agendas of the Committee, and of its networks, as appropriate.

As discussed during my meeting with the Panel at its sixty-third regular session, I will ensure our joint commitment to establish intensive communication and relations to improve transparency, governance and accountability in the United Nations system. I will also make sure that this communication and exchange of views between the United Nations entities and the Panel is maintained and strengthened as it is in the best interest of the United Nations system.

Please accept my thanks and appreciation for the ongoing constructive engagement. My Administration looks forward to continuing its fruitful and cooperative relationship with the Panel.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'António Guterres', written in a cursive style. The signature is positioned above a long, thin horizontal line that extends across the width of the signature.

António Guterres