United Nations Secretariat*

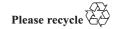# Statement on internal control

Scope of responsibility

1.   As Secretary-General of the United Nations, I am accountable for the administration of the Organization and the implementation of its mandates, programmes and other activities and for maintaining a system of internal controls designed to provide reasonable, but not absolute, assurance of the achievement of objectives in the forms of reliable financial and non-financial reporting, effective and efficient operations and compliance with regulations, rules and policies, including with regard to preventing and detecting fraudulent acts. As part of my reform agenda, I have delegated authority to heads of entities to manage human, financial and physical resources under the Staff Regulations and Rules and the Financial Regulations and Rules of the United Nations. Furthermore, every individual in the Organization has, to varying degrees of responsibility, duties to perform regarding internal controls under those regulations and rules.

Responsibility for internal controls

2.   Internal controls are designed to reduce and manage, rather than eliminate, the risk of failure to achieve the Organization's objectives. Internal control is a process, effected by an entity's management and other personnel, designed to provide reasonable assurance regarding the achievement of objectives relating to operations, reporting and compliance. Internal control is a key role of management and an integral part of the overall process of managing operations. As such, United Nations Secretariat management at all levels has the responsibility to:

- Establish an environment and culture that promotes effective internal control

- Identify and assess risks that may affect the achievement of objectives, including the risk of fraud and corruption

- Specify and implement policies, plans, operating standards, procedures, systems and other control activities to manage the risks associated with any risk exposure identified

- Ensure an effective flow of information and communication so that all United Nations personnel have the information they need to fulfil their responsibilities

- Monitor the effectiveness of the internal control system

3.   The United Nations Secretariat's internal control system operates continuously at all levels of the Organization through control processes established to ensure that objectives are accomplished.

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* In this context, the Secretariat includes peacekeeping missions and non-peacekeeping entities, including the United Nations Environment Programme, the United Nations Human Settlements Programme, the United Nations Office on Drugs and Crime and the International Residual Mechanism for Criminal Tribunals.

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United Nations Secretariat operating environment

4.   The United Nations Secretariat operates globally, sometimes in very challenging environments, and is therefore exposed to situations with a high level of inherent risk. The security situation in each country in which the Secretariat operates is closely monitored. Strategic decisions are taken, where necessary, to adapt operations and to manage and mitigate the risks to which its personnel are exposed. In addition, the Organization faces a considerable level of risk owing to the complexities of its operations and the scope of its mandates. All significant risks at the Secretariat level are captured in a formal risk register, which is subject to regular review by senior managers and internal and external auditors.

Internal control system and risk management

5.   The United Nations Secretariat's **internal control system** is composed of regulations, rules, administrative issuances, policies, processes and procedures with which staff members are obliged to comply. It is designed to provide reasonable assurance regarding the achievement of Organizational objectives, reliable financial and non-financial reporting, effective and efficient operations and compliance with the regulatory framework, including preventing and detecting fraudulent acts. The internal control system of the United Nations is consistent with criteria established in the Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in 2013, also referred to as the COSO Internal Control – Integrated Framework (2013).

6.   The Organization's enterprise risk management and internal control policy (A/66/692, annex), which was approved by the Management Committee in May 2011, defines a consistent methodology for assessing, treating, monitoring and communicating risks. The framework is designed to address both the strategic risks associated with the execution of the mandates and objectives as defined in the Charter of the United Nations and as specified by the principal organs of the United Nations, as well as the risks inherent in the daily operations that support the achievement of those mandates. The framework defines a flexible methodology that is fully compatible with the different risk management practices already adopted by the Organization.

7.   In 2014, the Secretary-General approved an enterprise-wide **risk register** as the instrument which summarizes the most significant strategic risks for the entire Secretariat, and the related governance structure to support the implementation process.

8.   Combating fraud and corruption in the United Nations Secretariat is a primary responsibility of all United Nations staff, including management, and of others with whom the Secretariat engages (such as contractors). In 2016, the Anti-Fraud and Anti-Corruption Framework of the United Nations Secretariat (ST/IC/2016/25) was introduced to provide guidance and information to staff members and other Secretariat personnel on how the Secretariat acts to prevent, detect, deter, respond to and report on fraud and corruption. The Secretariat takes a zero-tolerance approach towards fraud and corruption.

9.   Following a dedicated risk assessment at its meeting of 28 February 2018, the Management Committee endorsed a focused **Fraud and Corruption Risk Register** for the Secretariat.

10.   A new **Secretariat-wide risk assessment** was carried out in 2019. The resulting risk register includes risk definitions, a full analysis of key risk drivers, a description of the controls already established by management and an outline of potential risk response strategies. As part of the risk assessment, each risk was scored in terms of the risk likelihood and impact (risk exposure). Following an evaluation of the effectiveness of the controls in place to mitigate the given risk, the level of residual risk was determined as the starting point for defining the appropriate risk treatment response.

11.   On 26 May 2021, I signed the Organization's first-ever statement on internal control. In that statement, I identified six areas in which there was opportunity for further improvement.

Review of the effectiveness of internal controls

12.   The review of the effectiveness of the Secretariat's system of internal control is based on the following:

(a)   The **internal control self-assessment questionnaire and assurance statement**, as completed and submitted by heads of entities. The questionnaire was used by each entity to review all key controls and rate compliance. Heads of entities supported their responses with evidence and actions taken or planned. The results of the self-assessment exercise were reviewed carefully, control measures were adapted as required, and action plans were developed to address areas for improvement, where applicable;

(b)   An analysis of various **key performance indicators** on internal controls as issued by the Department of Operational Support and the Department of Management Strategy, Policy and Compliance. Within the latter, the Business Transformation and Accountability Division has been conducting regular and systematic monitoring of progress towards the key performance indicators identified in the senior managers' compacts. Moreover, the **management dashboards** provide real-time business data from Umoja (the enterprise resource planning system) and other enterprise systems, together with trend analyses and other analytical reports to senior management, the Management Committee and the United Nations oversight bodies;

(c)   Recommendations issued by the **Office of Internal Oversight Services, the Joint Inspection Unit and the Board of Auditors**. These recommendations provide objective information on compliance and control effectiveness.

Status of internal control issues in 2021

13.   The responses provided by heads of entities to the 2021 self-assessment questionnaire represent an integral part of evaluating the effectiveness of and compliance of each entity with the United Nations Secretariat internal control framework, as adapted to the COSO Internal Control – Integrated Framework (2013).[1] On the basis of the questionnaire and key performance indicators, as well as recommendations of internal and external oversight bodies, heads of entities provided assurance on the efficacy of the internal controls in the areas under their responsibility.

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[1] A significant deficiency exists in the system of internal control when management determines that a component and one or more relevant principles are not present or functioning or that components are not operating together.

14.   Through the mechanisms described above, five issues from the 2020 statement on internal control were carried over for further improvement in the context of the 2021 exercise:

(a)   *Implementation of property management processes, relating to a lengthy property disposal process and a large quantity of unused property*. Emphasis continues to be placed on the efficient use of resources, including property. The lifting of many restrictions put in place on travel in the wake of the coronavirus disease (COVID-19) pandemic enabled the Organization to resume property management activities and make improvements in property management performance. In particular, physical verification coverage increased, disposal activities were completed within shorter periods and reductions in the quantity of serialized property held in stock were realized, notwithstanding a slight increase in stock held beyond life expectancy. The property management framework and the supply chain performance management framework (issued in 2021) continue to govern the management and control of the Organization's property and ensure the active and ongoing monitoring of operations and property management processes to support the achievement of performance metrics and targets. The Organization seeks to continuously improve the framework and its monitoring capabilities to drive the efficient use of all property. It is also committed to strengthening supply chain planning to better forecast requirements and reduce the level of unused stock. One of the key elements that facilitates accurate demand planning is the reliability and accuracy of stock holdings;

(b)   *Development and maintenance of risk registers approved by the risk management committee and/or head of entity*. The implementation of enterprise risk management at all levels of the Secretariat remains a critical element of my vision for a more efficient and effective Organization. At the corporate level, a risk management policy and methodology has been successfully established and implemented. Entities have continued to develop risk registers, and the number of entities that maintain their own risk register has exceeded the expectations set in the benefits tracker available at reform.un.org. Efforts will continue to be made to embed risk management in strategic and operational decision-making processes;

(c)   *Adherence to the policy of advance purchase of tickets*. Efforts continue to be made to use travel resources in a cost-effective manner through outreach activities. While the rate of compliance with the 16-day advance purchase policy directive remained stable in 2021, the use of analytical tools to measure progress continues, including the accountability indicator monitoring dashboard and quarterly key performance indicator reports made available by the Business Transformation and Accountability Division;

(d)   *Implementation of human resources processes relating to talent acquisition*. I am committed to the continued strengthening of the staff selection system to enable the Organization to identify, attract and acquire diverse talent in an efficient and fair manner to effectively deliver on its mandated activities and achieve gender and regional balance among staff. Since 2019, the Organization has introduced a number of new recruitment tools in the online talent management platform with a view to reducing the manual workload. Adoption of these new tools has proved more difficult than expected, and in 2021 the Organization initiated a study to understand and address the related challenges. The recommendations from the study are currently being reviewed, and future initiatives will seek to address identified issues with a view to improving quality, efficiency and diversity in the recruitment process. In addition, while exceptions to administrative instructions on human resources are generally reported according to established procedures, and improvements have been observed, the completeness of reported exceptions and submission delays are being addressed through enhanced guidance and regular follow-up;

(e)   *Implementation of 10 principles on personal data protection and privacy.* The Organization is currently in the final stages of consultations on its policy on data privacy and protection, which, once promulgated, will be followed by a comprehensive privacy and protection programme. As part of that programme, the Office of Information and Communications Technology will be responsible for setting and approving data protection and privacy technical control standards for the Secretariat. The relevant data controller(s) will be responsible for embedding the approved data protection and privacy controls within the corresponding systems. The new policy is expected to be issued in the second part of 2022 after the official policy promulgation process with all stakeholders has been completed.

15.   In addition, three new areas in which there is opportunity for improvement were identified. These relate broadly to:

(a)   *Monitoring of programme and project implementation.* I am committed to the continued strengthening of accountability for results. Periodic and systematic programme monitoring is an integral part of the accountability of managers and staff members with decision-making authority, who are responsible for honouring their commitments and achieving high-quality results in a timely and cost-effective manner. The continued deployment of the strategic planning and programme management solution in Umoja is empowering staff to systematically follow robust and agile planning, monitoring and reporting processes and regularly document evidence of results. To foster effective programme management, a specific indicator pertaining to monitoring programme implementation is included in the senior managers' compacts. Dashboards for visualizing monitoring information are being developed. The Organization will also continue to strengthen the use of evaluation through the implementation of entity-specific evaluation policies, which are central to promoting learning and transparency throughout the programme management cycle;

(b)   *Management of workplace conduct and discipline.* In its resolution 74/271 of 13 April 2020 on progress towards an accountability system in the United Nations Secretariat, the General Assembly underscored that senior management bears special responsibility for setting the tone and standards for a strong culture of responsibility, accountability and personal integrity with an impact on mandate implementation and on the reputation of the Organization. The Secretariat continues to invest in a culture of accountability. Efforts continue to be made to ensure that all staff, including senior leadership, complete the mandatory courses pertaining to standards of conduct. Practical tools geared towards managing risks and reporting misconduct, such as the misconduct risk management toolkit, help entities manage risks consistently throughout the Secretariat. The Case Management Tracking System, aimed at recording, tracking and reporting on all allegations of misconduct, is promoted to strengthen the Organization's ability to ensure accountability in all cases of misconduct, including sexual exploitation and abuse;

(c)   *Cybersecurity.* The potential consequences of a weak cybersecurity posture go beyond the disruption of information and communications technology infrastructure and systems, the volume of data at risk and the number of user accounts that might be compromised as a result of a cyberattack. The ability of the United Nations to deliver its mandates, and its credibility vis-à-vis its members and beneficiaries, is at stake. Building on the previous action plan endorsed by the General Assembly and subsequent lessons learned, the Office of Information and Communications Technology is developing a comprehensive proposal for cybersecurity initiatives to address these significant risks.

16.   Finally, two issues previously identified in 2020 are deemed to have reached an adequate level of maturity and therefore no longer present significant risks to the achievement of the Organization's objectives:

(a)   *Learning and skills development*. During 2021, the overall number of staff who had completed all mandatory courses increased significantly, thus considerably reducing the exposure of the Organization to risks in a range of operational areas. The Secretary-General's bulletin on United Nations mandatory learning programmes (ST/SGB/2018/4) is being revised and is expected to provide updated guidance on the mandatory courses that staff must take and the consequences of not complying;

(b)   *Monitoring, evaluation and oversight of implementing partners*. The selection, management and monitoring of implementing partners continues to be strengthened to ensure the delivery of agreed activities and deliverables by providing better tools to programme managers. For example, the Umoja grantor management module, which is used to transact with partners throughout the life cycle of project implementation, contributed to strengthening entities' performance in that area. In my eleventh progress report on accountability (A/76/644), I committed to issuing the enriched guidelines on the engagement of implementing partners in 2022. Further improvements in the management of implementing partners were made in August 2021, when the Secretariat joined the United Nations Partner Portal, an online platform that enables the due diligence screening of potential partners in a centralized, standardized and harmonized manner.

Statement

17.   All internal controls have inherent limitations – including the possibility of circumvention – and therefore can provide only reasonable assurance regarding the achievement of objectives relating to operations, reporting and compliance. Furthermore, because conditions are dynamic, the effectiveness of internal controls may vary over time.

18.   Based on the above, I consider, to the best of my knowledge and information, that the United Nations Secretariat operated under an effective system of internal control during 2021, consistent with the foregoing and with the COSO Internal Control – Integrated Framework (2013).

19.   The United Nations Secretariat is committed to addressing the internal control and risk management issues identified above as part of the continuous improvement of its internal controls.

(*Signed*) António **Guterres**
Secretary-General
New York, 28 June 2022

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