

regime. In the former there has to be compliance with the principles and practices laid down, or else there is some form of punitive sanction. In the “comply or explain” regime there are recommended principles and practices, which if the entity’s governing body believes, in the best interests of the entity, should not be adopted, it will not do so but is then obliged to explain why it has not done so and sets out the practice adopted by it. The explanation is in itself compliance.

19. It is clear that a “comply or else” regime cannot be laid down for the United Nations, its funds, programmes and specialized agencies. There are different legislative bodies and purposes and one size cannot fit all. Consequently, this report recommends that the UN Code of Governance should be considered and adopted on an “adopt or explain” basis by all the entities in the United Nations system. UN entities should apply the Code flexibly in the context of their own unique international characteristics. Where the legislative and/or governing body then believes that a particular practice should not apply, it should then explain why it does not believe it is in the entity’s best interests to do so and sets out the practice adopted by it.
20. The Code is intended to be a living document that evolves as practice and experience develops. It should be reviewed periodically, and as need arises, against changes in the wider governance world and the experience of UN entities in the application of the Code. Where UN entities take alternative approaches to individual principles within the Code, this may provide useful insight to areas that may require future development.

2.3 UN Code of Governance

21. The research and analysis concluded that the Good Governance and Oversight Principles in Appendix 3 can be usefully grouped into six governance themes, the last of which specifically focuses on oversight activities. These principles have been

adapted to fit the realities, and terminology, of the UN system in order to form a **UN Code of Governance**, which is presented in this section of the report.

22. An important note of emphasis is that while presented in the format of these six themes, the Code should not be considered individually or by theme alone. They are inter-related and, for good governance purposes, need to be taken as a whole. The 6 themes are:
1. **Strategy, mission, planning and the governing body** – addresses the governing body's duty to honestly endeavour to achieve the purpose of the entity through planning, evaluation and overall direction setting.
 2. **Governing body and committee structures** – focuses on the composition of the governing body and delegation of some of its governance activities without abdicating its responsibilities.
 3. **Human resources management** – focuses on the key human resource policies and practices for the governing body and management of the entity.
 4. **Transparency and disclosure** – concern the framework and context for the accountability of the governing body, its members and the executive management in the entity.
 5. **Ethical environment** – specifies methods for responsible governance and ethical behaviour throughout the entity.
 6. **Audit, risk and compliance** – focuses on the duty for the audit of an entity's finances and operations, risk management, its internal controls, and for the compliance by the entity with all applicable rules, policies, regulations, and laws to which it is subject.
23. The proposed UN Code of Governance is as follows:

1. GOVERNANCE – STRATEGY, MISSION, PLANNING AND THE GOVERNING BODY

- 1.1. Each UN entity shall have a **Governing Body**¹, appointed by the Assembly of its Member States' representatives, which shall adopt governance practices based on the principles of **fairness, accountability, transparency and responsibility**. The individuals who comprise the UN entity's Governing Body shall act in good faith with care, skill and diligence. The General Assembly is the Governing Body of the Secretariat.
- 1.2. The role of the UN entity's Governing Body shall be to set and maintain the **strategic direction** of the entity, the effective and efficient **allocation of resources** and the **effective monitoring** of management and the operation of the UN entity.
- 1.3. The Governing Body of each such UN entity should have a **strategic plan** that reflects how the entity will seek to fulfil its purpose **efficiently, effectively and sustainably**.
- 1.4. The **purpose** of the UN entity, its stakeholders (such as Members States' representatives as well as others), its **tolerance for risk** and its **key performance indicators** shall be defined and reflected in the UN entity's policy statements, communications, decision making and working practices.
- 1.5. The expert committees of the Governing Body should be comprised of members who are **independent of the entity's management and the Member State Representatives**.

2. GOVERNANCE – GOVERNING BODY AND COMMITTEE STRUCTURES

- 2.1. In the interests of efficiency and effectiveness, the UN entity's **Governing Body shall appoint Committees** with defined terms of reference and levels of authority and whose membership has the necessary technical and/or management expertise in order to make recommendations to the Governing Body or act on its behalf (for example: budget and finance committee, ethics committee, human resources committee, audit committee, other technical committees).

¹ "Executive Boards" are the governing bodies for the funds and programmes. Governing bodies of the specialized agencies are "Councils," "Executive Boards," "Executive Councils," etc.

- 2.2. Where the UN entity's Governing Body delegates authority it **shall not abdicate its ultimate responsibility for a Committee's actions or omissions** with regard to matters such as resource allocation, risk management, internal controls, remuneration and financial reporting.
- 2.3. The UN entity's Governing Body and its Committees shall have access to **expert advice independent from management and from the entity's Member States' representatives**.
- 2.4. **Nominations and appointments** to committees of the Governing Body should be made on the basis of **formal transparent procedures and criteria** agreed by the UN entity's Governing Body and the Assembly of Member States.
- 2.5. A significant proportion of the UN entity's Governing Body and Committee members (for example one third) shall **rotate on a regular basis**, and according to rotation periods and criteria agreed by the Governing Body itself and the Assembly of Member States.
- 2.6. The Governing Body is responsible for **appointing a chief executive officer** for the UN entity through a formal and transparent process.

3. GOVERNANCE – HUMAN RESOURCES MANAGEMENT

- 3.1. Competencies of the UN entity's Governing Body, its Committees and executive management shall reflect the **knowledge and skills**, including specific technical knowledge and skills, needed to fulfil the purpose of the UN entity and to implement its strategic direction.
- 3.2. The UN entity's Governing Body shall ensure that **compensation policies and practices** for independent expert Committee members as well as executive management are supported by the entity's providers of funding, fully disclosed, consistent with the UN entity's culture and the individual's performance.
- 3.3. The UN entity's Governing Body, its Committees, and executive management shall all have **succession plans** in place.

4. GOVERNANCE – TRANSPARENCY AND DISCLOSURE

- 4.1. The UN entity's management shall provide timely ***disclosure to the entity's Governing Body and appropriate Committees of all matters of significance*** regarding the entity, including its financial situation and performance.
- 4.2. The UN entity's Governing Body shall provide timely ***disclosure to the Assembly of Member States and the entity's other relevant stakeholders*** of all matters of significance.
- 4.3. The UN entity's Governing Body, Committee members and executive management are required to ***disclose all relevant personal and related party financial matters and interests that may give rise to any conflict of interest.***
- 4.4. The UN entity's Governing Body, Committees and executive management shall ***demonstrate probity in the conduct of their activities.***
- 4.5. The UN entity's Governing Body shall ***conduct and report on its performance*** on an annual basis through ***facilitated evaluation.***

5. GOVERNANCE – ETHICAL ENVIRONMENT

- 5.1. The manner in which the UN entity is governed shall ensure that ***the UN entity acts and is seen to act responsibly and responsively*** to its stakeholders, including its Member States, the beneficiaries of its activities and the providers of its funds.
- 5.2. The UN entity shall have a ***written code of conduct***, which reflects its values and ***appropriate investigation and disciplinary procedures*** with sanctions for any violations of this code.
- 5.3. There shall be mechanisms for enabling ***responsible whistleblowing***, including appropriate whistleblower protection.

6. OVERSIGHT – AUDIT, RISK MANAGEMENT AND COMPLIANCE

- 6.1. It is the Governing Body's ultimate responsibility to satisfy itself that management has a ***robust framework for internal controls, risk management, systems and compliance with laws, regulations and appropriate accounting standards.*** These responsibilities shall

be reflected in statements by the UN entity's Governing Body in the entity's annual or biennial report, showing how they have been discharged.

- 6.2. Each UN entity's Governing Body shall have an **Audit Committee**, which shall comprise experts independent from management and from the entity's Member States' representatives, who are financially literate and at least one of whom is a qualified accountant and/or auditor. The Governing Body shall approve its membership and ensure it has appropriate terms of reference.
- 6.3. Each UN entity shall have a professional and competent **Internal Audit** function, which shall be accountable to the UN entity's Executive Management but has the right to report independently to the UN entity's Governing Body, through the Audit Committee, and shall have appropriate terms of reference, which shall include a requirement for regular quality reviews.
- 6.4. **External Audit** shall be appointed by and accountable to the entity's Assembly of Member States, through the entity's Audit Committee.

2.4 Best Practices

24. A challenge of accountability is to demonstrate that the UN Code of Governance outlined above is implemented throughout an entity. This is achieved through seeking to apply best practices. The best practices are therefore a means to help ensure that the UN Code of Governance is implemented and that those responsible are held accountable. It does not represent an exhaustive list of the activities or actions for the governing body and certain practices may support more than one principle. It is provided as a starting point for governing bodies to assess their approach to governance against best practice.
25. The best practices are: