



## **INTERNAL AUDIT DIVISION**

### **REPORT 2023/070**

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#### **Audit of budget formulation and monitoring in the Pension Administration of the United Nations Joint Staff Pension Fund**

**There is need to strengthen some aspects of budget formulation and monitoring, including review of training proposals, cost-sharing arrangements, authorization of projects and budget utilization**

**19 December 2023  
Assignment No. AS2023-800-02**

# **Audit of budget formulation and monitoring in the Pension Administration of the United Nations Joint Staff Pension Fund**

## **EXECUTIVE SUMMARY**

The Office of Internal Oversight Services (OIOS) conducted an audit of budget formulation and monitoring in the Pension Administration of the United Nations Joint Staff Pension Fund. The objective of the audit was to assess the adequacy and effectiveness of governance, risk management and control processes in ensuring effective budget formulation and monitoring in the Pension Administration. The audit covered the period from 1 January 2020 to 30 June 2023 and included a review of: (i) budget formulation; (ii) budget implementation and monitoring; and (iii) performance reporting.

The audit indicated the need for the Pension Administration to strengthen some aspects of budget formulation and monitoring, including review of training proposals, cost-sharing arrangements, authorization of projects and budget utilization.

OIOS made six recommendations. To address the issues identified in the audit, the Pension Administration needed to:

- Take steps to amend Section E.2 of its Financial Rules to include a reference to the Secretary-General's bulletin ST/SGB/2018/3 on the Regulations and Rules Governing Programme Planning, the Programme Aspects of the Budget, the Monitoring of Implementation and the Methods of Evaluation;
- Establish a mechanism to review its training proposals at the budget planning stage to ensure that the proposed training activities are aligned with its training and development goals and staff development needs;
- Review the practice of identifying general temporary assistance positions related to the United Nations Staff Pension Committee's work in the cost-sharing methodology as these positions were created to meet specific short-term requirements, and consider the changes to its organizational structure in the upcoming survey to identify the positions required for providing the related services to the United Nations;
- Review, in consultation with the United Nations Secretariat, the current practice of estimating the cost of administrative services provided to the Fund and make appropriate refinements in the methodology;
- Establish mechanisms to document the justification for redeployment of funds, including consultation with the concerned budget owners, and ensure that redeployments of funds are approved by an authorized official; and
- Take steps to improve budget implementation by monitoring utilization patterns and avoiding unplanned expenditures towards the end of the year.

The Pension Administration accepted the recommendations and has initiated action to implement them. Actions required to close the recommendations are indicated in Annex I.

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# Audit of budget formulation and monitoring in the Pension Administration of the United Nations Joint Staff Pension Fund

## I. BACKGROUND

1. The Office of Internal Oversight Services (OIOS) conducted an audit of budget formulation and monitoring in the Pension Administration of the United Nations Joint Staff Pension Fund (UNJSPF).

2. UNJSPF was established in 1949 by a resolution of the General Assembly to provide retirement, death, disability and related benefits for staff upon cessation of their service with the United Nations and other international organizations admitted to the membership of the Fund.

3. In accordance with Article 15 of the Regulations of UNJSPF and its Financial Rules, the Chief Executive of Pension Administration (CEPA) submits the Pension Administration's proposed budget for the following period to the Pension Board for review and endorsement. The General Assembly approves the budget after endorsement by the Pension Board and review by the Advisory Committee on Administrative and Budgetary Questions. Table 1 shows the Pension Administration's approved budget for the years 2021, 2022 and 2023.

**Table 1: Pension Administration's approved budget for 2021, 2022 and 2023**  
(Amount in Thousands of United States Dollars)

Budget class	2021	2022	2023
Posts	27,382	31,353	35,712
Other staff costs	8,334	5,000	3,047
Hospitality	3	3	3
Consultants	207	323	223
Travel of staff	403	303	365
Contractual services	12,793	16,912	15,412
General operating expenses	11,116	9,810	10,727
Supplies and materials	92	42	51
Furniture and equipment	707	561	639
<b>Total</b>	<b>61,037</b>	<b>64,307</b>	<b>66,179</b>

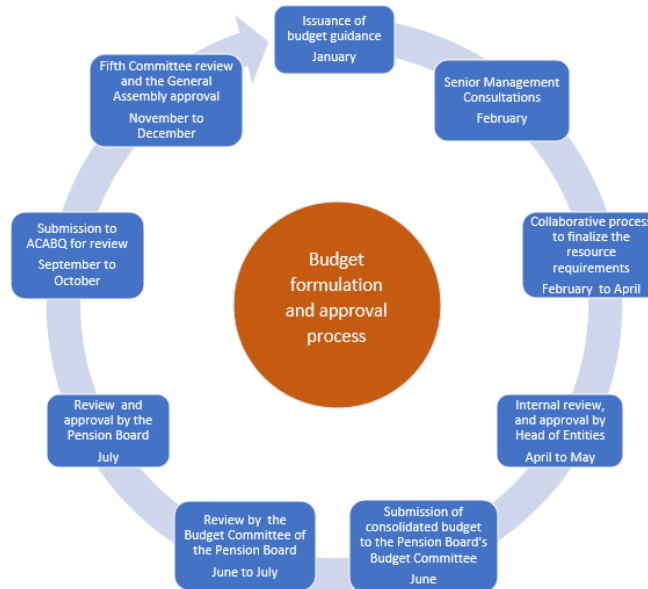
4. The actual expenditures for 2021 and 2022 were \$58 million and \$62.4 million, respectively. Reflecting the nature of the Fund, its budget only includes estimated administrative expenditure. The budget represents a ceiling of reasonable expenditure to administer UNJSPF, and any under-expenditure should be considered savings which remain in the Fund. Table 2 shows the approved staffing positions for the Pension Administration for the years 2021, 2022 and 2023.

**Table 2: Approved staffing positions by category for 2021, 2022 and 2023**

Category	2021	2022	2023
Professional and higher	76	82	91
General Service and related	122	149	167
General Temporary Assistance (GTA)	52	25	8
<b>Total</b>	<b>250</b>	<b>256</b>	<b>266</b>

5. Chart 1 below shows the Fund’s budget formulation and approval process.

**Chart 1: Budget formulation and approval process of the Fund**



6. Prior to 2015, the budget function for both sides of the Fund (Pension Administration and the Office of Investment Management) was centralized in the Executive Office under the then Chief Executive Officer of the Fund. After 2015, the budget function was placed under the direct supervision of the Chief Financial Officer (CFO) who is assisted by a Budget Officer, an Accountant, and an Administrative Assistant.

7. Comments provided by the Pension Administration are incorporated in italics.

## **II. AUDIT OBJECTIVE, SCOPE AND METHODOLOGY**

8. The objective of the audit was to assess the adequacy and effectiveness of governance, risk management and control processes in ensuring effective budget formulation and monitoring in the Pension Administration.

9. This audit was included in the 2023 OIOS risk-based work plan for the Pension Administration due to the risk that potential weaknesses in budget formulation and monitoring may have an adverse impact on the Pension Administration’s operations.

10. OIOS conducted this audit from September to November 2023. The audit covered the period from 1 January 2020 to 30 June 2023. Based on an activity-level risk assessment, the audit covered risk areas in: (i) budget formulation; and (ii) budget implementation and monitoring; and (iii) performance reporting.

11. The audit methodology included: (a) interviews with key personnel; (b) analytical review of data; (c) review of relevant documentation; and (d) review of transactions on a sample basis.

12. The audit was conducted in accordance with the International Standards for the Professional Practice of Internal Auditing.

### III. AUDIT RESULTS

#### A. Budget formulation

##### Need to amend the Fund's Financial Rules to reflect updated guidance

13. The General Assembly approved an exception to Article 15 (b) of the Regulations of UNJSPF to affect a change from a biennial to an annual budget for UNJSPF on a trial basis and later confirmed the change by lifting the trial period in its resolution 77/267 of 30 December 2022.

14. Accordingly, the Pension Board proposed amendments to relevant Sections of the Fund's Financial Rules (E.1, E.5, and E.6) and recommended to the General Assembly to amend Article 15 (b) of the Fund's Regulations. However, Section E.2 of the Fund's Financial Rules had referred to the previous version of the Secretary-General's bulletin ST/SGB/2000/8 on the Regulations and Rules Governing Programme Planning, the Programme Aspects of the Budget, the Monitoring of Implementation and the Methods of Evaluation. The Pension Administration needs to amend Section E.2 of the Fund's Financial Rules to reflect the latest version of the Secretary-General's bulletin (ST/SGB/2018/3) since there were significant changes from the previous version.

**(1) The Pension Administration should take steps to amend Section E.2 of its Financial Rules to include a reference to the Secretary-General's bulletin ST/SGB/2018/3 on the Regulations and Rules Governing Programme Planning, the Programme Aspects of the Budget, the Monitoring of Implementation and the Methods of Evaluation.**

*The Pension Administration accepted recommendation 1 and stated that an amendment to UNJSPF Financial Rule E.2 will be included in future proposed updates to be submitted for the consideration of the Pension Board.*

##### Budget proposals were aligned with strategic objectives

15. Regulation 5.2 of the Regulations and Rules governing Programme Planning, the Programme Aspects of the Budget, the Monitoring of Implementation and the Methods of Evaluation emphasize that the programme proposals set out in the budget shall aim at achieving the objectives established in the strategic framework.

16. The Pension Administration's strategic objectives include: (a) contribution management (collecting and updating participant information and contributions); (b) entitlement processing (defining eligibility for various benefits and communicating with staff/participants about their options); (c) benefits management (paying retirement and disability benefits, cost-of-living adjustments, and processing child and survivors' benefits); and (d) providing client services to all participants, retirees and other beneficiaries.

17. To achieve its strategic objectives, the Pension Administration had developed a 'Client-focused, Action-oriented, Relations-builder, Efficacy-driven Strategy' (CARE) in 2020 with three key pillars: (a) simplify client experience (make client service and client satisfaction the priority); (b) modernize pension services (focus on innovation, streamlined and paperless processes, new technologies, improved data reconciliation, upscaling staff skills, and become a data-driven organization); (c) develop a strong global partnership network (further develop internal and external partnerships to increase trust and confidence between the Fund and its staff, clients, stakeholders, decision-makers and member organizations). The Pension Administration refined the strategy and named it as the 'CARE Strategy 2024 and beyond'. OIOS'

review of budget proposals, planned results and performance measures indicated that the Pension Administration's budgets for 2021, 2022 and 2023 were aligned with its strategic objectives.

Budget planning assumptions were discussed at senior management level

18. The budget guidelines from the United Nations Controller require the Pension Administration to reflect on the external factors that may influence its programme plan and budget, including consideration of all the opportunities or threats external to the Organization that may impact the operational environment of the Pension Administration.

19. The Pension Administration's budget proposals for 2021, 2022 and 2023 were based on the planning assumptions that: (a) the client population served by the Fund continues to grow and live longer, and is increasingly geographically dispersed; (b) transactional volumes are not significantly above expectations; (c) participants and member organizations provide timely information and documents/data to the Fund; and (d) there are no significant changes in the Fund's operating environment (such as changes to available human and financial resources, and significant modifications to plan design provisions).

20. The Pension Administration had developed the above budget assumptions based on discussions during the senior management meetings which were adequately documented.

Need for effective review of training proposals at the budget planning stage

21. Per best practice, training activities should be aligned with the training strategy and linked to staff development goals. The Pension Administration had identified knowledge management and training as a priority area in its strategic framework for it to become a learning organization with a service orientation.

22. The Pension Administration had developed guidelines on training and development after conducting a training needs assessment. The Pension Administration's training budget had increased from \$204,570 in 2021 to \$659,207 in 2023. The Pension Administration stated that it engaged the United Nations System Staff College to develop e-learning modules on pension matters for its staff, member organizations and pension participants globally to align with its CARE strategy.

23. OIOS' review indicated that multiple units in the Pension Administration were involved in providing training to various stakeholders. For example, two units in the Operations Support Section of the Operations Service were carrying out training activities: (i) the Operations Technical Support Unit was providing in-house technical training to staff in the Operations Service; and (ii) the Operations Coordination and Liaison Unit provided training to the participating member organizations. In addition to the internal training, the operational units in the Pension Administration requested funds for external training for its staff in their respective budgets.

24. Two units under the Deputy Chief Executive of Pension Administration, namely the Business Support Services Unit (BSSU) and Business Transformation Unit (BTU), were also involved in training activities. BTU provided training to build capacity in business transformation, and BSSU was responsible for supporting the implementation of the Fund's budgets optimally by leveraging available learning options and fully supporting on-the-job experience, for which it recruited a dedicated Training and Development Officer to coordinate the learning and development activities. One of the responsibilities of the Training and Development Officer was to provide inputs into the preparation and monitoring of the Fund's training budgets and process training proposals and requests to ensure that the training guidelines are adhered to. However, there was no evidence that BSSU reviewed training proposals or provided inputs into the preparation and monitoring of the Fund's training budget.

25. Effective review of training proposals at the budget planning stage would enable the Pension Administration to ensure that training proposals are fully aligned with its overall training and development goals and linked to the identified staff development needs.

**(2) The Pension Administration should establish a mechanism to review its training proposals at the budget planning stage to ensure that the proposed training activities are aligned with its training and development goals and staff development needs.**

*The Pension Administration accepted recommendation 2 and stated that it will establish mechanisms to assess training proposals at the time of budget planning to ensure alignment with its training and development goals and staff development needs.*

Need to assess the budgetary implications of cost-sharing arrangements

26. Cost recovery models have been commonly utilized in the United Nations system for incremental costs to be recovered from the recipients of services. Such cost-sharing arrangements are required to be considered for cost estimates in the budget. The United Nations Secretariat has been providing administrative services to the Fund based on the request of the Pension Board. Similarly, the Pension Administration has been providing to the United Nations services related to the United Nations Staff Pension Committee (UNSPC). In 2020, the General Assembly in its resolution 74/263 endorsed the revised methodology for cost-sharing arrangements between the Fund and the United Nations. To operationalize the cost-sharing arrangements, the Fund and the United Nations entered into two service-level agreements (SLA) and one memorandum of understanding (MOU) as discussed below.

(a) SLA for UNSPC-related services<sup>1</sup> provided by the Fund<sup>2</sup> to the United Nations

27. In September 2020, the Fund entered into an SLA with the United Nations for the provision of UNSPC-related services. According to the SLA, the methodology for calculation of the total cost included direct operational costs and indirect support costs. The total cost estimate to implement the SLA was presented in the Fund’s budget as one consolidated amount (as a set fee) for the year, and the Fund sent the payment request to the United Nations at the beginning of the year. The Fund’s charge to the United Nations for UNSPC services for 2021 to 2023 is shown in Table 3 below.

**Table 3: Fund’s charge to the United Nations (Amounts in \$)**

Cost category	2021	2022	2023
Direct operational costs	6,582,900	6,840,100	7,181,100
Indirect support costs	1,412,200	1,464,100	1,526,000
<b>Total</b>	<b>7,995,100</b>	<b>8,304,200</b>	<b>8,707,100</b>

28. Based on the cost of services provided from 2014 to 2018, the Fund estimated that 51.65 positions contribute to the work of providing UNSPC-related services. The required positions were arrived at based on workload statistics as shown in Table 4 below.

<sup>1</sup> UNSPC is responsible for the administration of pension matters pursuant to Article 4 of the Fund’s Regulations and Rules, in respect of staff members of the United Nations and its funds and programmes. Pursuant to Article 8 of the Fund’s Regulations, the Pension Administration provided the following two types of services to UNSPC: (a) secretarial support to UNSPC meetings; and (b) client support services directly to active participants and to administrative personnel employed by the United Nations and its affiliated funds and programmes which include responding to queries on all pension-related matters such as participation, benefit estimate calculations, separations, transfers, restoration, validation and so on.

<sup>2</sup> In the context of this SLA, ‘the Fund’ refers to the Pension Administration.



**Table 4: Workload indicators for UNSPC-related services in the Fund’s methodology**

Category	Positions	Range of workload percentage	Equivalent positions
Professional and above	27	3% to 57%	8.31
General Service	86	2.7% to 70%	32.2
GTA	33	10% to 57%	11.14
<b>Total</b>	<b>146</b>	<b>2.7% to 70%</b>	<b>51.65</b>

29. As indirect support costs, the Fund applied 22.4 per cent of direct support costs based on a formula considering the proportional overhead allocation for all costs not directly attributable to UNSPC-related work, such as human resources and administrative services, leadership and oversight, as well as indirect operational costs such as rent, supplies, and furniture and equipment.

30. The Fund’s methodology to provide UNSPC-related services was based on identification of direct and indirect operational costs, and the required posts were estimated based on workload statistics. As per the methodology, a survey would be done every 5 years to identify the number of positions related to UNSPC work, unless UNSPC-specific positions are created. The last such survey was conducted in 2018 and the next survey is due in 2024. From 2020 to 2023, there were significant changes in the organizational structure of the Pension Administration, with new units created. Further, the number of its authorized positions increased from 194 to 258, and 49 GTA positions were converted into regular posts. However, it was unclear as to why GTA positions were considered in the cost-sharing methodology since these positions should be used for exceptional and/or peak workload circumstances, for replacement of staff on maternity or sick leave, or for time-bound projects. The Pension Administration stated that GTA positions were included in the methodology because these positions were performing core functions at the time of finalizing the SLA.

31. The Pension Administration also stated that the next survey to identify the number of positions related to UNSPC work is in progress, and the results will be presented to the Pension Board in 2024 for inclusion in budget proposals for 2025. While it is recognized that UNSPC services are interwoven with the routine functions of the Fund and are complex to quantify precisely, the Pension Administration needs to reconsider the use of GTA positions in the methodology. Also, changes to the Pension Administration’s organizational structure should be considered when arriving at the number of positions in the upcoming survey.

**(3) The Pension Administration should: (a) review the practice of identifying GTA positions related to UNSPC work in the cost-sharing methodology as these positions were created to meet specific short-term requirements; and (b) consider the changes to its organizational structure in the upcoming survey to identify the positions required for providing UNSPC-related services to the United Nations.**

*The Pension Administration accepted recommendation 3 and stated that the Fund used GTA positions in the period under review for core work as “agile workforce”. Following the review of GTA positions requested by the General Assembly, these positions were proposed for conversion. GTA positions will not be considered as direct costs in future measurement of the cost of UNSPC-related services. The results of the upcoming survey, including changes in organizational structure, will be considered for identifying positions required for providing UNSPC-related services to the United Nations.*

(b) MOU for provision of administrative services by the United Nations Office at Geneva (UNOG)<sup>3</sup>

32. The MOU between the Fund and UNOG detailed the categories of administrative and security services to be provided, the unit price for each service, and the duties and responsibilities of each party along with performance indicators. The unit prices were updated annually. UNOG billed the Fund on a quarterly basis. The cost of services provided by UNOG for 2020 to 2022 are shown in Table 5 below.

**Table 5: Cost of services provided under different categories by UNOG (Amounts in \$)**

<b>Administrative services</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>
Central support services	142,772	97,333	64,316
Human resources	32,904	37,064	28,608
Financial services	11,390	9,857	14,524
Information and communication technologies	36,455	67,326	58,814
General management services	7,113	4,796	3,948
Library and archives services	-	-	21,684
<b>Total</b>	<b>230,634</b>	<b>216,376</b>	<b>191,894</b>

33. OIOS noted that UNOG had a comprehensive price list for the administrative services provided to the Fund, and the expenditure charged to the Pension Administration was based on actual use of services.

(c) SLA for administrative services provided by the United Nations Secretariat to the Fund<sup>4</sup>

34. According to the SLA, the United Nations Secretariat provides administrative services such as human resources, legal, security, procurement, Umoja support, and payroll to the Fund. Annex I to the SLA detailed the type of charges and cost estimates in terms of the number of staff posts required. The United Nations' cost estimates for services provided to the Pension Fund were calculated on a yearly basis for the following year.

35. The cost of administrative services provided by the United Nations Secretariat to the Fund were distributed between the Pension Administration, Office of Investment Management (OIM) and the secretariat of the Pension Board. The United Nations provided the following cost estimates for 2020, 2021, 2022 and 2023 as shown in Table 6 below.

**Table 6: Cost estimates provided by the United Nations Secretariat (Amounts in \$)**

<b>Type of charges</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>
Pay per use	370,900	837,200	348,900	698,900
Set fees	1,693,400	1,553,500	2,257,000	2,748,600
Dedicated services	397,800	397,800	596,700	837,900
<b>Total</b>	<b>2,462,100</b>	<b>2,788,500</b>	<b>3,202,600</b>	<b>4,285,400</b>

36. According to the 2023 SLA, UNJSPF was required to fund 17.35 posts out of which one P-5 post was on the staffing table of OIM and two posts (one P-3 and one General Service) were on the staffing table of the Pension Administration and therefore did not form part of the above cost estimates. Out of the cost estimate of \$4.28 million in the 2023 SLA, details of the type of charges were not indicated for two positions (1 General Service and 1 Professional) with a financial implication of \$332,000. The cost estimates for providing administrative services were increased by 74 per cent from \$2.4 million in 2020 to \$4.3 million

<sup>3</sup> In the context of this MOU, 'the Fund' refers to the Pension Administration only.

<sup>4</sup> In the context of this SLA, 'the Fund' refers to the Pension Administration, OIM and secretariat of the Pension Board.

in 2023, and the number of posts funded by UNJSPF increased by 100 per cent from 8.75 in 2020 to 17.35 in 2023, as shown in Table 7 below.

**Table 7: United Nations positions funded by UNJSPF under the cost-sharing arrangement**

Positions	2020	2021	2022	2023
Director	0.15	-	-	-
Professional (P-5)	0.10	-	1.00	1.00
Professional (P-4)	2.35	2.35	4.85	5.35
Professional (P-3)	4.35	5.00	4.50	7.00
General Service Staff	1.80	2.00	2.00	4.00
<b>Total</b>	<b>8.75</b>	<b>9.35</b>	<b>12.35</b>	<b>17.35</b>

37. The Pension Administration could not provide documentation to show that the budget estimates provided by the United Nations were supported by a methodology based on workload statistics for measuring the cost of services. The Pension Administration stated that the United Nations requested additional posts on an ad hoc basis, quoting increased workload without providing supporting documentation. OIOS is of the view that the Pension Administration needs to support the cost estimates included in its budget with appropriate workload statistics that quantify the cost of administrative services on a reasonable basis.

**(4) The Pension Administration should, in consultation with the United Nations Secretariat, review the current practice of estimating the cost of administrative services provided to the Fund and make appropriate refinements in the methodology.**

*The Pension Administration accepted recommendation 4 and stated that it will work with the United Nations Secretariat to review the current practice of estimating the cost of administrative services provided to the Fund and will make required refinements to the methodology.*

## **B. Budget implementation and monitoring**

### Need to ensure that redeployments of funds are approved by an authorized official

38. The United Nations Finance and Budget Manual requires that all redeployments of funds are justified, and relevant records of such redeployments are maintained to ensure that they are adequately reported in the performance reports submitted to the General Assembly.

39. There were 46 (22 in 2021 and 24 in 2022) redeployments of funds amounting to \$10.8 million and \$3.9 million for 2021 and 2022, respectively, which accounted for 18 per cent and 6 per cent of the Pension Administration's total budget. OIOS' review indicated that 21 redeployments (11 in 2021 and 10 in 2022) were within the same fund centre while 25 others (11 in 2021 and 14 in 2022) involved movement of funds among various fund centres. There was no evidence to show that the concerned budget owners were consulted before the redeployment of funds between different fund centres amounting to \$8.4 million in 2021 and \$2.5 million in 2022, as shown in Table 8 below.

**Table 8: Redeployment of funds to different fund centres (Amounts in \$)**

Fund Center	Center Group	2021				2022			
		Initial Budget	Transferred In	Transferred Out	Available Resources	Initial Budget	Transferred In	Transferred Out	Available Resources
12100	UNJSPF OCEO	2,927,500	693,700	-	3,621,200	2,087,500	477,000	-	2,564,500
12102	UNJSPF FSS	9,097,900	-	300,000	8,797,900	9,296,500	-	60,000	9,236,500
12103	UNJSPF Operations	8,388,600	-	874,900	7,513,700	8,559,700	609,400	135,000	9,034,100
12104	UNJSPF DALs	2,661,600	85,000	253,800	2,492,800	3,418,400	-	529,400	2,889,000
12109	UNJSPF Geneva	8,332,600	-	500,000	7,832,600	7,899,600	-	490,000	7,409,600
12110	UNJSPF EO/BSSU	9,275,600	300,000	6,300,000	3,275,600	8,871,400	490,000	782,000	8,579,400
12118	UNJSPF Clients	4,822,100	150,000	-	4,972,100	5,399,000	40,000	520,000	4,919,000
12119	UNJSPF Nairobi	241,600	-	-	241,600	228,000	-	3,000	225,000
12120	UNJSPF Bangkok	235,400	-	-	235,400	244,700	3,000	-	247,700
12124	UNJSPF IMSS	15,054,300	7,150,000	150,000	22,054,300	18,302,500	900,000	-	19,202,500
<b>Total</b>		<b>61,037,200</b>	<b>8,378,700</b>	<b>8,378,700</b>	<b>61,037,200</b>	<b>64,307,300</b>	<b>2,519,400</b>	<b>2,519,400</b>	<b>64,307,300</b>

40. Under Article 7 (b) of the Regulations, CEPA has the authority to approve redeployment of funds. This authority had been delegated to the CFO. However, the Budget Officer, in the capacity of certifying officer, approved the redeployment of funds in Umoja without appropriate approval from CFO or CEPA. Further, all redeployments of funds involving different fund centres were made by the Budget Officer in the months of November and December.

41. The Pension Administration stated that budget owners were instructed to ‘stay in their swim lanes’ for the first six months, and all the redeployments had happened during the second half of the year. In the senior management meetings, the administrative expenditure to date, projected expenditure for the second half of the year, and resource availability for any new initiatives or projects were discussed. However, the meeting notes pertaining to deliberations regarding redeployment of funds were not available for OIOS’ review. Although all the redeployments were reported in the performance reports, the approval from the appropriate authority and justification for the redeployment needed to be documented to assure the integrity of the process.

**(5) The Pension Administration should establish mechanisms to: (i) document the justification for redeployment of funds, including consultation with the concerned budget owners; and (ii) ensure that redeployments of funds are approved by an authorized official.**

*The Pension Administration accepted recommendation 5 and stated that it will ensure that: redeployments of funds are accompanied by documented evidence of approval or consultation with budget owners; and adequate evidence is maintained about the approval of redeployments.*

Need to strengthen budget monitoring to prevent unplanned expenditures toward the end of the year

42. The Pension Administration’s overall budget utilization was 95 per cent for 2021 and 97 per cent for 2022. The Budget Unit centrally monitored the administrative expenditure across the Pension Administration. Every month, Umoja reports for the administrative expenditure were shared with the respective budget owners in the senior management meetings. The overall budget utilization information was shared fund centre-wise as well as budget class-wise. However, OIOS’ noted inconsistent utilization of available resources throughout the year as 22 per cent of the total expenditure in 2021 and 21 per cent in 2022 was incurred in the month of December, as shown in Table 9 below.

**Table 9: Budget class utilization trends (Amounts in \$)**

Budget Class	2021				2022			
	Initial budget	Actual Expenditure	Total Utilization (%)	Utilization in Dec (%)	Initial budget	Actual Expenditure	Total Utilization (%)	Utilization in Dec (%)
Posts	27,382,200	27,637,600	101	8	31,352,600	31,918,300	102	8
Other Staff Costs	8,334,100	5,973,900	72	9	4,999,600	3,295,400	66	7
Hospitality	3,100	-	-	-	3,200	-	-	-
Consultants	207,200	34,100	16	29	323,600	68,300	21	11
Travel of Staff	403,300	47,200	12	-	303,000	239,400	79	(1)
Contractual Services	12,792,600	20,432,600	160	47	16,912,400	17,973,000	106	46
General Operating Expenses	11,115,300	3,777,800	34	3	9,809,600	8,739,600	89	19
Supplies and Material	92,300	46,900	51	44	42,300	37,800	89	14
Furniture and Equipment	707,100	154,600	22	46	561,000	183,200	33	3
<b>Total</b>	<b>61,037,200</b>	<b>58,104,700</b>	<b>95</b>	<b>22</b>	<b>64,307,300</b>	<b>62,455,000</b>	<b>97</b>	<b>21</b>

43. There were delays in utilization of funds under contractual services. The Pension Administration’s approved budget for contractual services was \$12.8 million for 2021 and \$16.9 million for 2022, which accounted for 21 per cent and 26 per cent of its total budget. OIOS’ review indicated that 47 per cent in 2021 and 46 per cent in 2022 of the budget for contractual services was utilized in the month of December. Out of the total expenditure under contractual services, 75 per cent in 2021 and 65 per cent in 2022 were related to information technology projects under the Information Management Systems Service (IMSS).

44. OIOS’ review indicated that the Pension Administration redeployed \$7.1 million in 2021 and \$380,000 in 2022 from general operating expenses under the BSSU fund centre to contractual services under the IMSS fund centre. In addition, funds amounting to \$500,000 were redeployed from Client Services to IMSS in 2022 under contractual services. The Pension Administration had initiated 18 new information technology projects amounting to \$7 million in December 2021 under contractual services that were not part of the approved 2021 budget. Similarly, in 2022 the Pension Administration incurred an expenditure of \$380,000 on advisory services that was not part of the approved 2022 budget. All these ad hoc projects were initiated at the end of the year without being subjected to the budget review process by the Fund’s governing bodies before funds were committed.

**(6) The Pension Administration should take steps to improve budget implementation by monitoring utilization patterns and avoiding unplanned expenditures towards the end of the year.**

*The Pension Administration accepted recommendation 6 and stated that it will monitor budget utilization patterns and better document the reprioritization of projects, where needed.*

### **C. Performance reporting**

#### Need to report on the progress of key performance indicators related to the strategy

45. According to ST/SGB/2018/3, indicators of achievement are used to measure whether and/or the extent to which the objectives and/or expected accomplishments have been achieved. It emphasizes that performance reporting shall cover all activities encompassing the programme’s objectives and strategy.

46. The Pension Administration developed the key performance indicators (KPIs) for its four strategic objectives, namely: contribution management, entitlement processing, benefits management, and client services. In addition to these four KPIs reported in the budget performance reports, in 2023, the Pension

Administration's BTU identified an additional 24 KPIs to align with the three pillars of the 'CARE Strategy 2024 and beyond'. Accordingly, there were 12 KPIs each for Pillar 1 and 2 (simplifying the client experience and modernizing pension services), and 4 KPIs for Pillar 3 (strengthening relationships with all stakeholders). OIOS notes that this was an improvement over the 'CARE Strategy 2021 to 2023' which did not refer to any KPIs. The introduction of these new KPIs should help improve the quality of the Pension Administration's performance reporting in future years.

#### **IV. ACKNOWLEDGEMENT**

47. OIOS wishes to express its appreciation to the management and staff of the Pension Administration for the assistance and cooperation extended to the auditors during this assignment.

Internal Audit Division  
Office of Internal Oversight Services

## STATUS OF AUDIT RECOMMENDATIONS

## Audit of budget formulation and monitoring in the Pension Administration of the United Nations Joint Staff Pension Fund

Rec. no.	Recommendation	Critical <sup>5</sup> / Important <sup>6</sup>	C/ O <sup>7</sup>	Actions needed to close recommendation	Implementation date <sup>8</sup>
1.	The Pension Administration should take steps to amend Section E.2 of its Financial Rules to include a reference to the Secretary-General's bulletin ST/SGB/2018/3 on the Regulations and Rules Governing Programme Planning, the Programme Aspects of the Budget, the Monitoring of Implementation and the Methods of Evaluation.	Important	O	Receipt of evidence of action taken to amend Section E.2 of the Fund's Financial Rules.	31 December 2024
2.	The Pension Administration should establish a mechanism to review its training proposals at the budget planning stage to ensure that the proposed training activities are aligned with its training and development goals and staff development needs.	Important	O	Receipt of evidence that training proposals are being reviewed at the budget planning stage.	31 August 2024
3.	The Pension Administration should: (a) review the practice of identifying GTA positions related to UNSPC work in the cost-sharing methodology as these positions were created to meet specific short-term requirements; and (b) consider the changes to its organizational structure in the upcoming survey to identify the positions required for providing UNSPC-related services to the United Nations.	Important	O	Receipt of the results of the upcoming survey to ensure that changes to the organizational structure has been appropriately considered, and the revised cost sharing methodology does not include GTA positions as direct cost.	31 December 2024
4.	The Pension Administration should, in consultation with the United Nations Secretariat, review the current practice of estimating the cost of administrative services provided to the Fund and make appropriate refinements in the methodology.	Important	O	Receipt of evidence of action taken to refine the current practice of estimating the cost of administrative services received by the Fund.	31 December 2024

<sup>5</sup> Critical recommendations address those risk issues that require immediate management attention. Failure to take action could have a critical or significant adverse impact on the Organization.

<sup>6</sup> Important recommendations address those risk issues that require timely management attention. Failure to take action could have a high or moderate adverse impact on the Organization.

<sup>7</sup> Please note the value C denotes closed recommendations, whereas O refers to open recommendations.

<sup>8</sup> Date provided by the Pension Administration in response to recommendations.

## STATUS OF AUDIT RECOMMENDATIONS

## Audit of budget formulation and monitoring in the Pension Administration of the United Nations Joint Staff Pension Fund

5.	The Pension Administration should establish mechanisms to: (i) document the justification for redeployment of funds, including consultation with the concerned budget owners; and (ii) ensure that redeployments of funds are approved by an authorized official.	Important	O	Receipt of evidence of action taken to document the justification for redeployments of funds and to ensure that they are approved by an authorized official.	31 January 2024
6.	The Pension Administration should take steps to improve budget implementation by monitoring utilization patterns and avoiding unplanned expenditures towards the end of the year.	Important	O	Receipt of evidence of action taken to improve budget implementation and avoid unplanned expenditures.	31 January 2024



# **APPENDIX I**

## **Management Response**

**MEMORANDUM**

Ref: UNJSPF/CEPA/12152023

New York, 15 December 2023

To / A: Mr. Gurpur Kumar, Deputy Director Internal Audit Division, OIOS

From / De : Rosemarie McClean, Chief Executive of Pension Administration, United Nations Joint Staff Pension Fund

Subject / Objet: **UNJSPF response to draft report audit of budget formulation and monitoring in the Pension Administration of the United Nations Joint Staff Pension Fund**

1. Reference is made to your memorandum dated 13 December 2023, in which you submitted for the Fund's review and comments, the draft audit report of the above-mentioned audit.
2. As requested, the Pension Administration's comments to the audit recommendations are included in **Annex I**.
3. The Pension Administration would like to thank OIOS auditors for the review conducted and the constructive exchanges with management.

cc.: Mr. D. Penklis, Deputy Chief Executive  
Mr. K. Soll, Chief Financial Officer  
Mr. D. Dell'Accio, Chief Information Officer  
Mr. A. Bockarie, Budget Officer  
Ms. K. Manosalvas, Senior Risk Officer, Audit Focal Point

**ANNEX I**  
**Response to Draft Report OIOS Audit of budget formulation and monitoring in the Pension Administration**

Rec. no.	Recommendation	Critical <sup>1</sup> / Important <sup>2</sup>	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
1.	The Pension Administration should take steps to amend Section E.2 of its Financial Rules to include a reference to the Secretary-General's bulletin ST/SGB/2018/3 on the Regulations and Rules Governing Programme Planning, the Programme Aspects of the Budget, the Monitoring of Implementation and the Methods of Evaluation.	Important	Yes	Chief Financial Officer, Legal Office	December 2024	An amendment to UNJSPF Financial Rule E.2 will be included in future proposed updates to be submitted for the consideration of the Pension Board.
2.	The Pension Administration should establish a mechanism to review its training proposals at the budget planning stage to ensure that the proposed training activities are aligned with its training and development goals and staff development needs.	Important	Yes	Chief BSSU, Budget Officer	August 2024	The Pension Administration will establish mechanisms to assess training proposals at the time of budget planning to ensure alignment with its training and development goals and staff development needs.
3.	The Pension Administration should: (a) review the practice of identifying GTA positions related to UNSPC work in the cost-sharing methodology as these positions were created to meet specific short-term requirements; and (b) consider the changes to its organizational structure in the upcoming survey to identify the	Important	Yes	Chief Financial Officer, Budget Officer	December 2024	a) The Fund used GTA positions in the period under review for core work as "agile workforce". Following the review of GTA positions requested by the UN General Assembly, these positions were proposed for conversion. GTA positions will not be considered as direct costs in future measurement of the cost of

<sup>1</sup> Critical recommendations address those risk issues that require immediate management attention. Failure to take action could have a critical or significant adverse impact on the Organization.

<sup>2</sup> Important recommendations address those risk issues that require timely management attention. Failure to take action could have a high or moderate adverse impact on the Organization.

<b>Rec. no.</b>	<b>Recommendation</b>	<b>Critical<sup>1</sup>/ Important<sup>2</sup></b>	<b>Accepted? (Yes/No)</b>	<b>Title of responsible individual</b>	<b>Implementation date</b>	<b>Client comments</b>
	positions required for providing UNSPC-related services to the United Nations.					UNSPC-related services where such GTA resources do not relate to core-UNSPC work. b) The results of the upcoming survey, including changes in organizational structure, will be considered for identifying positions required for providing UNSPC-related services to the United Nations.
4.	The Pension Administration should, in consultation with the United Nations Secretariat, review the current practice of estimating the cost of administrative services provided to the Fund and make appropriate refinements in the methodology.	Important	Yes	Chief Financial Officer, Budget Officer	December 2024	The Fund will work with the UN Secretariat to review the current practice of estimating the cost of administrative services provided to the Fund and will make required refinements to the methodology.
5.	The Pension Administration should establish mechanisms to: (i) document the justification for redeployment of funds, including consultation with the concerned budget owners; and (ii) ensure that redeployments of funds are approved by an authorized official.	Important	Yes	Chief Financial Officer, Budget Officer	January 2024	The Pension Administration will ensure that: a) redeployment of funds are accompanied by documented evidence of approval or consultation with budget owners; and b) adequate evidence is maintained about the approval of redeployments.
6.	The Pension Administration should take steps to improve budget implementation by monitoring utilization patterns and avoiding unplanned expenditures towards the end of the year.	Important	Yes	Chief Financial Officer, Budget Officer	January 2024	The Pension Administration will monitor budget utilization patterns and better document the reprioritization of projects, where needed.