



INTERNAL AUDIT DIVISION

REPORT 2015/191

Special review of selected issues
related to the United Nations Joint
Staff Pension Fund

29 December 2015
Assignment No. AS2015/800/03

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Special review of selected issues related to the United Nations Joint Staff Pension Fund

I. BACKGROUND

1. The Office of Internal Oversight Services (OIOS) conducted a special review of selected issues related to the United Nations Joint Staff Pension Fund (UNJSPF).
2. In accordance with its mandate, OIOS provides assurance and advice on the adequacy and effectiveness of the United Nations internal control system, the primary objectives of which are to ensure: (a) effective and efficient operations; (b) accurate financial and operational reporting; (c) safeguarding of assets; and (d) compliance with mandates, regulations and rules.
3. UNJSPF was established by the General Assembly to provide retirement, death, disability and related benefits for the staff of the United Nations, its agencies and 23 other organizations admitted to membership of the Fund.
4. The Fund is administered by the United Nations Joint Staff Pension Board, a staff pension committee for each member organization, and a secretariat to the Board and to each such committee. The Chief Executive Officer (CEO) of the Fund reports to the Pension Board and is the head of the Fund secretariat. He is responsible for administering the Fund and paying benefits. The Secretary-General of the United Nations is responsible for investing the assets of the Fund. This responsibility is delegated to the Representative of the Secretary-General for the investments of the Fund (RSG), who is the head of the Investments Management Division.
5. Several allegations of potential irregularities at the Fund were brought to the attention of OIOS by various individuals during March and April 2015. During the same period, there were a number of articles in news media and websites alleging potential irregularities at the Fund. OIOS reviewed the nature of these allegations and assigned responsibility to address them to its Investigation and Internal Audit Divisions. The Internal Audit Division (IAD) reviewed the control processes related to eight of the allegations, which are covered in the present report.
6. Comments provided by UNJSPF are incorporated in *italics*.

II. REVIEW OBJECTIVE, SCOPE AND METHODOLOGY

7. The objective of the special review was to assess the circumstances surrounding each allegation and to identify potential improvements needed to the relevant control processes in UNJSPF. The issues assessed were related to:
 - Recruitment of the Chief Financial Officer;
 - Recruitment of the Chief Client Services;
 - Appointment of a Pension Board member to assist a human resources task force;
 - Revision of the memorandum of understanding (MOU) on human resources management;
 - Diversity of staff within the Pension Fund;

- Award of a banking contract;
- Preparation of Integrated Management Information System data for migration to Umoja; and
- Staffing arrangements for the project to implement the Integrated Pension Administration System.

8. The engagement was added to the IAD work plan for 2015 in response to management's request and due to potential risks highlighted by various allegations. The review was conducted during June and July 2015 and covered the period from January 2013 to July 2015. It was conducted through a review of relevant documents as well as interviews of concerned staff in UNJSPF, Office of Human Resources Management (OHRM), Procurement Division and Office of the Under-Secretary-General for Management.

III. REVIEW RESULTS

9. OIOS reviewed eight matters and made four recommendations on three of them. The Fund secretariat accepted three recommendations, one of which has already been implemented and the other two are in the process of being implemented. The Fund secretariat did not accept one recommendation, which will be included in OIOS annual reports to the Pension Board and the General Assembly. IMD accepted all four recommendations, one of which has already been implemented and the other three are in the process of being implemented.

A. Recruitment of Chief Financial Officer

10. **Main issues:** Concerns were expressed regarding the following issues: (i) the new RSG did not participate in the recruitment process; (ii) the interview panel was not properly constituted; (iii) tests were graded by non-financial specialists; and (iv) the new RSG subsequently determined that some applicants were not interviewed even though they appeared to have met the eligibility criteria.

11. **Background information:** The post of Chief Financial Officer became vacant in March 2014. In August 2014, the hiring manager constituted a three-member panel, which consisted of the CEO as the hiring manager, the Deputy CEO and the Chief of Office, Office of the Under-Secretary-General for Management representing the then RSG. A written assessment test was conducted in September 2014. Five candidates were invited for interview on 31 October 2014. The new RSG commenced official duties on 6 October 2014.

12. **Observations:** UNJSPF was expected to internally communicate information necessary to support the functioning of internal control. OIOS confirmed that the new RSG was aware of the vacant Chief Financial Officer position but was not informed about the status of the recruitment process until November 2014, during an audit committee meeting. UNJSPF explained that the omission was due to the complexity of the bifurcated structure of the Fund and the change in status of the RSG function from a part time to a full time official.

13. The administrative instruction on the staff selection system stated that a panel should normally comprise at least three members at the same level or higher than the position of the job opening. One of the panel members was a P-5 staff member on Special Post Allowance to D-1. There was failure to ensure that the staff grade of members of the assessment panel was at the same level or higher than the job opening.

14. The manual for hiring managers stated that in situations where the assessment exercise is technical, a technical expert may be invited to evaluate the assessment. All the panellists had some financial and accounting background and were therefore competent to be part of the panel.

15. The hiring manager was required to review applicants in three areas (academic qualifications, language skills and experience) and rate them as unsatisfactory, or suitable for further assessment/interview. All the candidates who met the evaluation criteria in the three areas were further assessed through a test and the successful candidates were subsequently interviewed. The interview results were summarized, although at the time of the review, the panel had not yet signed off the results for onward transmission to the Central Review Board. OIOS was informed during the exit briefing held on 21 September 2015 that the Fund had decided to restart the recruitment process for the Chief Financial Officer with the active participation of the new RSG.

16. **Conclusion:** Apart from the composition of the interview panel, no control issues were identified in relation to the other concerns. All panel members had some financial background and there were no control weaknesses surrounding the evaluation, testing and short-listing of candidates.

(1) UNJSPF should establish a procedure to review and approve the composition of assessment panels set up to assess applicants for job openings.

The Fund Secretariat and IMD accepted recommendation 1. The Fund secretariat stated that the Executive Office had prepared a checklist to be signed by the Hiring Manager, which would be used to verify that the composition of assessment panels complied with relevant administrative instructions. IMD stated that it provided written confirmation on the composition of assessment panels in transmittal memorandums to central review bodies for each recruitment exercise. Based on the action taken by UNJSPF, recommendation 1 has been closed.

B. Recruitment of Chief Client Services

17. **Main issues:** Concerns were expressed regarding the following issues: (i) the exception granted for the recruitment to a P-5 position without a lateral move was done without a policy document and communicated through an e-mail; (ii) the limitation of the selected candidate's appointment to the Fund was not displayed prominently on the personnel action form; (iii) the successful candidate was placed on a roster and could be selected for other P-5 positions in the United Nations Secretariat even though she had not met the lateral move requirement; and (iv) the assessment exercise was leaked to the selected candidate.

18. **Background information:** Based on the existing MOU between the Fund and OHRM signed in 2000, the Chief of Operations requested OHRM to grant an exemption from the policy on mobility and lateral moves before a P-4 staff member can be eligible to be considered for promotion to a P-5 level post. OHRM, via e-mail, granted the exemption and extended it to all individuals (including applicants from the United Nations Secretariat) applying to the P-5 post in question and other P-5 positions in the Fund. This was reflected as a "Special Notice" in the job opening. The exemption further stated that, where applicable, selected staff members needed to sign letters of appointment that would clearly indicate that their service was limited to the Fund.

19. **Observations:** The administrative instruction on the staff selection system stated that staff members in the professional category shall have at least two prior lateral moves before being eligible to be considered for promotion to the P-5 level. OIOS confirmed that the candidate selected for the post was a UNJSPF P-4 staff member, who had not met the lateral move requirement. However, OHRM had

granted UNJSPF an exemption from the policy on mobility and lateral moves and this was in accordance with general provisions of the Staff Rules. Furthermore, the administrative instruction on record keeping recognized e-mail as an important business and communication tool that provides evidence of and information about United Nations' business transactions.

20. OIOS observed that the promotion was effected through the issuance of a personnel action, which indicated that the promotion was limited to service in the Fund. Since the selected candidate was already a staff member, the issuance of a personnel action in lieu of an appointment letter that indicated the appointment would be limited to service with the Fund was valid.

21. According to the personnel action, the selected staff member's service was limited to the UNJSPF. However, she was inadvertently placed on the roster of pre-approved P-5 candidates that was available to the United Nations Secretariat. OHRM explained that since the United Nations Secretariat administered the recruitment actions for the Fund, selected candidates were automatically placed on the Secretariat roster of pre-approved candidates by Inspira. OHRM had since issued instructions to remove the name of successful candidate from the roster. Therefore, OIOS did not make a recommendation on this matter.

22. Assessment exercises were expected to be kept confidential at all times and only released to the candidates at the agreed date and time. There was no evidence to substantiate the allegation that the assessment exercise was leaked to the selected candidate.

23. **Conclusion:** OIOS concluded that: (i) the exemption from lateral moves before promotion to the P-5 level was valid and properly communicated to the UNJSPF; (ii) the issuance of a personnel action that indicated service will be limited to the Fund was in accordance with the conditions of the exemption; (iii) OHRM had since issued instructions to remove the selected candidate from the roster available to the United Nations Secretariat; and (iv) no evidence was provided to substantiate the allegation that the assessment exercise was leaked to the selected candidate.

C. Appointment of a Pension Board member to assist a human resources task force

24. **Main issue:** Concerns were expressed regarding a potential conflict of interest in the engagement of a Board member to assist the human resources task force reviewing an MOU between UNJSPF and OHRM, and excessive travel expenses for the individual.

25. **Background information:** The Pension Board, at its 60th session in 2013 requested the CEO and RSG to review and, if necessary and appropriate, update the current MOU with OHRM on United Nations personnel procedures applicable to UNJSPF. The review was required to ensure that the Fund's human resources management was in line with its operational and investment business needs. UNJSPF prepared a project charter for the review of the MOU, which was signed by the CEO on 4 November 2013. The project leader was a member of the Pension Board, who was appointed by UNJSPF management in his personal capacity. According to the project charter, the only estimated direct costs of the project were for travel and daily subsistence allowance of the project leader, as he was to provide the service on a pro bono basis. The expected output was to recommend amendments to the current MOU, which would be presented to OHRM for approval.

26. **Observations:** The administrative instruction on acceptance of pro bono goods and services stated that a pro bono contribution should not be accepted if it would create a conflict of interest or the appearance

thereof. Furthermore, a pro bono contribution should only be accepted pursuant to a formal agreement between the donor and the recipient.

27. The engagement of a Pension Board member to assist management, in his personal capacity, in reviewing an MOU created the potential for a conflict of interest situation or the appearance thereof. This was due to the project leader serving the UNJSPF in a dual capacity concurrently - as a Pension Board member in his official capacity and as a pro bono adviser to management in his personal capacity. The participation of the Pension Board member in the MOU review could also have blurred the lines between governance of the Fund and operational activities as the outcome of the review was to be ultimately reported to and deliberated on by the Pension Board.

28. Furthermore, contrary to the established requirements, there was no contractual agreement between the project leader and UNJSPF. Also, the project leader, although not acting as a Board member but an adviser to management, was offered business class tickets for official travel when the applicable standard of accommodation for travel should have been economy class. The excess amount expended on travel by the Board member was \$10,188, which was the difference between the estimated cost of the economy class ticket (\$5,200) and the actual amount of the business class ticket (\$15,388).

29. UNJSPF explained that it did not consider the risk of potential conflict of interest in appointing a project leader for the MOU review project because any proposed revisions to the MOU would eventually be approved by OHRM; not the Pension Board. During its 62nd session in July 2015, the Pension Board approved a policy and declaration statement to deal with potential conflict of interest situations. It was anticipated that all Pension Board members would provide a signed copy of the declaration before the start of its 63rd session in July 2016.

30. **Conclusion:** The participation of a Board member in the MOU review project created the potential for a conflict of interest situation and led to inaccurate application of the standards of accommodation for travel. The provision of the pro bono services was not governed by a written agreement as required by the applicable administrative instruction.

(2) UNJSPF should establish policies regarding the Fund’s engagement of Pension Board members in an advisory capacity. These policies should include guidance on the avoidance of potential conflict of interest situations and the application of appropriate standards of accommodation for travel.

The Fund secretariat and IMD accepted recommendation 2. The Fund secretariat stated that its practice of drawing on the expertise of Pension Board members to advise and guide on requests and mandates from the Pension Board did not create a conflict of interest situation as the members did not benefit personally. The travel standards applied in these instances were those applicable under the Secretary-General’s Bulletin on payment of travel expenses to members of organs or subsidiary organs of the United Nations. Moreover, in July 2015 the Pension Board approved a declaration of conflict of interest to be signed by all Board members beginning in 2016. The Fund secretariat would provide guidelines documenting its practice regarding the engagement of Pension Board members. IMD stated that it did not engage Pension Board members in an advisory capacity and would formalize this practice by establishing a policy accordingly. OIOS reiterates that a conflict of interest situation could also arise by Board members participating in a matter that is subsequently submitted to the Board for deliberation and/or approval. Furthermore, the rules referred to govern the travel of members of subsidiary organs relate to their performance of tasks on behalf of the organs and not to tasks assigned by management. Recommendation 2 remains open pending receipt of policies regarding the engagement of Pension Board members in an advisory capacity.

(3) UNJSPF should implement procedures to ensure that written agreements are prepared for the provision of all advisory services to management, including those provided on a pro bono basis.

The Fund secretariat and IMD accepted recommendation 3. The Fund secretariat stated that it would include applicable United Nations administrative issuances in the guidelines to be developed for the engagement of Pension Board members in an advisory capacity. IMD stated that it was already in compliance with the recommendation. Recommendation 3 remains open pending receipt of procedures to ensure that written agreements are prepared for the provision of all advisory services to management, including those provided on a pro bono basis.

D. Revision of the MOU on human resources management

31. **Main issue:** Concerns were expressed that the revision of the MOU on human resources management between UNJSPF and OHRM would fundamentally alter the structure of the Pension Fund and lead to lack of transparency in human resources administrative actions.

32. **Background information:** On 30 June 2000, UNJSPF and OHRM signed an MOU with respect to United Nations personnel procedures applicable to UNJSPF. The MOU established that the United Nations Secretariat would provide administrative services to the Fund in respect of recruitment, placement, classification, training and the administration of justice largely applying policies and procedures applicable to the United Nations Secretariat. The MOU also required the Fund to follow United Nations guidelines for the use of consultants, gratis personnel and retirees, as set out in various administrative instructions.

33. At its 60th session in 2013, the Pension Board requested the CEO and RSG to review and, if necessary and appropriate, update the existing MOU with OHRM to ensure that the Fund's human resources management was in line with its operational and investment needs.

34. **Observations:** The management of the Fund's human resources should be governed by appropriate procedures that are aligned with relevant United Nations Staff Regulations.

35. In a report on the review of the Fund's human resources framework (JSPB/61/R.35), the CEO highlighted the risks presented to the Fund by the use of United Nations Secretariat's human resources policies and procedures. The Fund raised the following concerns:

- Inability to promote best qualified, experienced candidates to vacant positions that required specialization;
- Prescriptive mandatory age of separation;
- Mobility requirements;
- Long recruitment process; and
- Performance management process.

36. The Fund requested that the revised MOU include the specific requirements that OHRM would not apply to UNJSPF staff when providing administrative services. If the exceptions are granted, the Fund would need to develop alternative administrative policies and procedures to replace the ones from which it was seeking to be exempted. This is necessary to ensure that administrative actions are performed within a controlled environment and mitigate the perception that the revised MOU would fundamentally alter the structure of the Pension Fund and lead to lack of transparency in human resources administrative actions.

37. UNJSPF management subsequently informed OIOS on 18 November 2015 that the revision of the MOU had been placed on hold by the Under-Secretary-General for Management.

38. **Conclusion:** Since the MOU had been placed on hold, OIOS did not make a recommendation on this issue.

E. Diversity of staff within the Pension Fund

39. **Main issue:** Concerns were expressed about the lack of sufficient diversity of staff nationalities within the Pension Fund.

40. **Observations:** In accordance with Article 101 of the Charter of the United Nations, which governs the selection of staff of all United Nations entities, the “paramount consideration in the employment of the staff ... shall be the necessity of securing the highest standards of efficiency, competence, and integrity. Due regard shall be paid to the importance of recruiting the staff on as wide a geographical basis as possible”. UNJSPF management stated that it took the geographical origin of candidates into account when recruiting staff and that its approximately 240 staff members represented 35 countries. However, UNJSPF had not established any targets against which the geographical representation of staff could be assessed.

41. **Conclusion:** In the absence of established targets, there was a lack of clarity on whether the actual geographical representation of staff was appropriate and whether the Fund was complying with the requirement to give due regard to the importance of recruiting the staff on as wide a geographical basis as possible.

(4) UNJSPF should, in consultation with OHRM, explore the possibility of establishing targets to ensure staff of the Fund are from as a wide geographical representation as possible.

The Fund secretariat did not accept recommendation 4 stating that the Fund was not subject to geographical quotas as it was not funded from assessed contributions. The Fund required staff with high specialization and, as per the Charter of the United Nations, the paramount consideration in the employment of the staff shall be the necessity of securing the highest standards of efficiency, competence, and integrity. The Fund continued to pay due regard to the geographical representation of staff and 35 countries were represented in its current staff composition. There was therefore no basis for establishing specific targets. IMD accepted the recommendation and stated that its implementation was ongoing. OIOS reiterates its recommendation that the Fund secretariat should, in consultation with OHRM, explore the possibility of establishing targets to ensure staff of the Fund are from as a wide geographical representation as possible and develop an action plan to address the issue satisfactorily. This would demonstrate the Fund’s implementation of the requirement of the United Nations Charter in this regard. Recommendation 4 remains open pending receipt of evidence from IMD that it has explored with OHRM, the possibility of establishing targets on the geographical representation of staff.

F. Award of a banking contract

42. **Main issues:** Concerns were expressed regarding the following issues: (i) the current CEO did not declare that he had worked for and held senior positions at various banks that were being considered for contract award; and (ii) despite the General Assembly’s formal request that the United Nations terminate banking services with the current service provider, the current CEO requested exemption from this directive.

43. **Background information:** Worldwide banking and payment services for UNJSPF had been provided by one financial institution since January 2004. The first attempt to rebid the contract was in December 2007. A different bank was recommended by the Procurement Division but the procurement process was cancelled due to UNJSPF concern that the recommended bid had significant hidden costs, lacked clarity on the payment mechanisms, and above all, failed to show whether the bank had enough capital to survive a downturn as reported by local authorities.

44. The Procurement Division issued a second solicitation in November 2010 and recommended that an award be made to another bank on the basis that it had received the highest best value for money score and because of the \$1 million price difference between the recommended bidder and that of the current service provider. On 29 March 2012, the previous CEO of UNJSPF wrote to the Headquarters Committee on Contracts rejecting the recommendation. On 24 April 2012, the Headquarters Committee on Contracts informed UNJSPF that pursuant to the Financial Rule on formal methods of solicitation, UNJSPF was authorized to make a decision on the Committee's original recommendation without further review by the Committee. On 27 April 2012, UNJSPF formally requested the Procurement Division to enter into negotiations with the current service provider.

45. **Observations:** The Procurement Manual states that if during any stage of the procurement process a conflict of interest arises, or appears likely to arise, or cases in which any United Nations Official has or appears to have an interest of any kind in the bidder's business, the bidder or the employee must notify the United Nations immediately. There was no evidence of a conflict of interest regarding the award of the contract to the current provider of banking services. The current CEO did not request the Procurement Division to enter into contract negotiations with the current bank, and was not a member of the Technical Evaluation Committee. Furthermore, the action taken by the previous CEO was in accordance with the authorization that had been granted by the Pension Board.

46. There was no evidence of a request from the General Assembly to terminate banking arrangements with the current service provider and there was no evidence of a request from the current CEO for an exemption for the Pension Fund to continue dealing with the current service provider.

47. **Conclusion:** OIOS concluded that there were no anomalies in the award of the current contract for banking services relating to conflict of interest of the current CEO and non-compliance with General Assembly decisions and resolutions.

G. Preparation of Integrated Management Information System data for migration to Umoja

48. **Main issue:** A concern was expressed regarding management preventing the Executive Officer from travelling to Geneva to take part in the preparation and cleansing of data in the Integrated Management Information System for migration to Umoja.

49. **Observations:** The Staff Rules required all official travel to be authorized in writing before being undertaken.

50. OIOS was informed that the Executive Officer made verbal requests to travel to Geneva to support the UNJSPF Geneva Office in preparing for the deployment of Umoja, but the travel was not approved as it was not considered necessary. As the United Nations Office at Geneva provided administrative services to the Fund's Geneva Office, the Chief of the Office was in direct contact with the Geneva deployment team to support data cleansing, role mapping and training for each of the administrative functions (including human resources, travel, finance and procurement). In addition, a

coordination mechanism was established within the Fund to oversee the progress of Umoja-related activities both in Geneva and New York.

51. **Conclusion:** OIOS concluded that it was within UNJSPF management's operational prerogative, as stipulated in the Staff Rules, whether or not to authorize the New York-based Executive Officer to travel to Geneva to support data cleansing, role mapping and training.

H. Staffing arrangements for the project to implement the Integrated Pension Administration System

52. **Main issues:** Concerns were expressed regarding the following issues: (i) none of the 16 posts approved by the Pension Board were advertised and provided to the team implementing the Integrated Pension Administration System; (ii) retirees were employed instead to meet the requirements of the project; and (iii) funds meant for the project were diverted to cover non-related travel of senior staff of the Fund.

53. **Observations:** UNJSPF was expected to indicate the resources needed to implement activities and to ensure that those resources were utilized according to legislative intent and in the most effective and economical manner.

54. The CEO of the Fund adopted a staggered recruitment approach to make the best use of the project's resources, whereby different staff members were recruited at the point in time when they were needed. The Fund's goal was to build a project team with a broad multidisciplinary set of skills and experience including knowledge of the Fund's processes and requirements. The staggered recruitment plan was presented to the Pension Board and approved by the General Assembly in 2011.

55. According to the relevant project documents, 18 temporary posts were approved for the project (5 General Service posts and 13 Professional posts). Eleven of these posts were filled. OIOS noted that out of the 11 temporary posts, 8 were filled by retirees from the Fund. Some posts needed for more than three months were advertised as temporary job openings, while others that were needed for less than three months were not, in line with the administrative instruction on temporary appointments. Management explained that retirees were hired because of their prior expertise in the Fund's processing of pension entitlement, client services, accounting, treasury payments, data management, and the associated management reporting. There was no evidence that funds meant for the project were used by senior management officials for unrelated travel.

56. **Conclusion:** OIOS concluded that appointments for temporary posts including the hiring of retirees were done within the provisions of relevant administrative instructions. There was no evidence that funds meant for the project were applied for non-related travel of senior management staff.

IV. ACKNOWLEDGEMENT

57. OIOS wishes to express its appreciation to the Management and staff of UNJSPF for the assistance and cooperation extended to the auditors during this assignment.

(Signed) David Kanja
Assistant Secretary-General for Internal Oversight Services

STATUS OF REVIEW RECOMMENDATIONS

Special review of selected issues related to the United Nations Joint Staff Pension Fund

Recom. no.	Recommendation	Critical ¹ / Important ²	C/ O ³	Actions needed to close recommendation	Implementation date ⁴
1	UNJSPF should establish a procedure to review and approve the composition of assessment panels set up to assess applicants for job openings.	Important	C	Action completed	Implemented
2	UNJSPF should establish policies regarding the Fund's engagement of Pension Board members in an advisory capacity. These policies should include guidance on the avoidance of potential conflict of interest situations and the application of appropriate standards of accommodation for travel.	Important	O	Submission of policies regarding the engagement of Pension Board members in an advisory capacity to management.	September 2016
3	UNJSPF should implement procedures to ensure that written agreements are prepared for the provision of all advisory services to management, including those provided on a pro bono basis.	Important	O	Submission of procedures to ensure that written agreements are prepared for the provision of all advisory services to management, including those provided on a pro bono basis.	September 2016
4	UNJSPF should, in consultation with OHRM, explore the possibility of establishing targets to ensure staff of the Fund are from as a wide geographical representation as possible.	Important	O	Submission of evidence by IMD that it had explored with OHRM, the possibility of establishing targets on the geographical representation of staff.	Not provided

¹ Critical recommendations address critical and/or pervasive deficiencies in governance, risk management or control processes, such that reasonable assurance cannot be provided with regard to the achievement of control and/or business objectives under review.

² Important recommendations address important (but not critical or pervasive) deficiencies in governance, risk management or control processes, such that reasonable assurance may be at risk regarding the achievement of control and/or business objectives under review.

³ C = closed, O = open

⁴ Date provided by UNJSPF in response to recommendations.

APPENDIX I

Management Response

Management Response

Draft report on a special review of selected issues related to the United Nations Joint Staff Pension Fund (Assignment No. AS2015/800/03)

Rec. no.	Recommendation	Critical ¹ / Important ²	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
1	UNJSPF should establish a procedure to review and approve the composition of assessment panels set up to assess applicants for job openings.	Important	Yes	IMD Administrative Officer	Already effective	IMD in compliance. Written confirmation included in transmittal memo to CRB for each recruitment.
2	UNJSPF should establish policies regarding the Fund's engagement of Pension Board members in an advisory capacity. These policies should include guidance on the avoidance of potential conflict of interest situations and the application of appropriate standards of accommodation for travel.	Important	Yes	RSG & IMD Senior Programme Officer & IMD Legal Officer	Already effective	IMD has not engaged Pension Board members in an advisory capacity. IMD will formalize this practice by establishing a policy accordingly.
3	UNJSPF should implement procedures to ensure that written agreements are prepared for the provision of all advisory services to management, including those provided on a pro bono basis.	Important	Yes	IMD Senior Programme Officer & IMD Legal Officer	Already effective	IMD in compliance.
4	UNJSPF should, in consultation with OHRM, explore the possibility of establishing targets to ensure staff of the Fund are from as a wide geographical representation as possible.	Important	Yes	IMD Administrative Officer	Ongoing	Ongoing

¹ Critical recommendations address critical and/or pervasive deficiencies in governance, risk management or control processes, such that reasonable assurance cannot be provided with regard to the achievement of control and/or business objectives under review.

² Important recommendations address important (but not critical or pervasive) deficiencies in governance, risk management or control processes, such that reasonable assurance may be at risk regarding the achievement of control and/or business objectives under review.

UNITED NATIONS JOINT STAFF PENSION FUND
CAISSE COMMUNE DES PENSIONS DU PERSONNEL DES NATIONS UNIES

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MEMORANDUM

Ref:

New York, 24 December 2015

To / A:

Muriette Lawrence-Hume
Chief, New York Audit Service
Internal Audit Division, OIOS

From / De :

Sergio B. Arvizú
Chief Executive Officer
United Nations Joint Staff Pension
Fund

Subject /
Objet:

Response to draft report on assignment No. AS2015/800/03 - special review of selected issues related to the United Nations Joint Staff Pension Fund

1. Reference is made to your memorandum dated 24 November 2015, in which you submitted for the Fund's comments the draft report on a special review of selected issues related to the United Nations Joint Staff Pension Fund.
2. The Fund secretariat wishes to thank OIOS for this comprehensive report and the constructive discussions held with the Fund.
3. We very much appreciate the assurance OIOS is providing through executing a comprehensive and risk-based audit plan to assess the effectiveness of the Fund's internal control system and assist management, *inter alia*, in safeguarding the Fund's resources, in line with the OIOS mandate. This is a fundamental part of the Fund's very robust and effective internal control framework.
4. The Fund notes that the review **did not identify any critical issues in the areas examined or any critical weakness in internal control**. OIOS reviewed eight matters having no recommendations on five. OIOS made only four recommendations (none of them of a critical nature). One has been closed. The recommendation on exploring the possibility of geographical targets was not accepted since the Fund secretariat recalled (as confirmed by OHRM) that the Fund is not subject to the system of desirable ranges. Further the Fund notes that due to its mission and nature merit should continue to be the primary consideration in the selection of staff and that it currently has a wide geographical representation. On the two recommendations on written policies for engaging Pension Board members, the Fund secretariat explained the working practices of the Board and agreed to issue guidelines to further document these.
5. In connection with misinformation and unsubstantiated allegations, the Fund secretariat recalls the concerns expressed at the meeting of the Fund's Enterprise-Wide Risk Management Working Group held in

April 2015, where OIOS participates as an observer, and where the unauthorized release of confidential information and misinformation was found to be a “high level” risk to the Fund. The Working Group expressed serious concern about the significant damage that the release of internal management information and the misinformation and unsubstantiated allegations have caused to the Fund and to the Fund’s participants, retirees and other stakeholders. In this connection, it would be important to complete the analysis of the high risk related to the unauthorized release of confidential information, so that proper remedial action can be taken. Furthermore, OIOS should determine if these wrongful and unsubstantiated allegations may constitute possible misconduct and direct the matter to OHRM, as appropriate.

6. The Fund secretariat’s response on the audit recommendations is included in the annex.

Management Response

Draft report on a special review of selected issues related to the United Nations Joint Staff Pension Fund (Assignment No. AS2015/800/03)

Rec. no.	Recommendation	Critical ¹ / Important ²	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
1	UNJSPF should establish a procedure to review and approve the composition of assessment panels set up to assess applicants for job openings.	Important	Yes	Executive Office	This recommendation is deduplicated from the audit of human resources management (AS2014/800/03) and has been implemented and closed (see OIOS email from 7 December 2015).	<p>The UN has defined procedures for the review and approval of the composition of assessment panels.</p> <p>Hiring managers are responsible for the creation and composition of assessment panels. Executive Offices regularly review the composition of assessment panels.</p> <p>To close the recommendation, the Executive Office of the Fund has prepared a checklist to be signed by the Hiring Manager, which will be used to verify that the composition of assessment panels complies with the relevant instructions.</p>

¹ Critical recommendations address critical and/or pervasive deficiencies in governance, risk management or control processes, such that reasonable assurance cannot be provided with regard to the achievement of control and/or business objectives under review.

² Important recommendations address important (but not critical or pervasive) deficiencies in governance, risk management or control processes, such that reasonable assurance may be at risk regarding the achievement of control and/or business objectives under review.

Rec. no.	Recommendation	Critical ¹ / Important ²	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
2	UNJSPF should establish policies regarding the Fund's engagement of Pension Board members in an advisory capacity. These policies should include guidance on the avoidance of potential conflict of interest situations and the application of appropriate standards of accommodation for travel.	Important	Yes	CEO	September 2016	<p>It is a common practice of the Pension Fund to draw on the expertise of the members of the Pension Board to advise and guide on initiatives based on requests and mandates from the Pension Board (such as working groups, contact groups). This does not create a situation of conflict of interest, as the Board members do not personally benefit, financially or otherwise.</p> <p>Since in such cases the Board members are travelling in their capacity as Board members, the travel standards concerning the travel of Board members are applied (in the case covered in the report, ST/SGB/107/Rev.6 governing the travel of Governing Body representatives of the Pension Board). Moreover, in July 2015 the Pension Board approved a declaration of conflict of interest to be signed by all Board members beginning in 2016.</p> <p>To close this recommendation, the Fund will provide to OIOS guidelines documenting the</p>

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						existing practice regarding the engagement of Pension Board members in an advisory and guidance capacity.
3	UNJSPF should implement procedures to ensure that written agreements are prepared for the provision of all advisory services to management, including those provided on a pro bono basis.	Important	Yes Requested to combine with recommendation no. 2	CEO	September 2016	<p>The Fund follows the UN administrative issuances on consultants and individual contractors (ST/AI/2013/4). The Fund does not use gratis personnel or benefit from pro bono services, but if it ever did, the Administrative Instruction on gratis personnel (ST/AI/1999/6) and the Secretary-General's Bulletin on Acceptance of pro bono goods and services (ST/SGB/2006/5) would apply.</p> <p>The Fund will include in the guidelines mentioned above under item 2 the existing issuances that apply and would be followed in the cases mentioned by OIOS' recommendation.</p>
4	UNJSPF should, in consultation with OHRM, explore the possibility of establishing targets to ensure staff of the Fund are from as a wide geographical representation as possible.	Important	No			In view of the interagency status and funding source of the UNJSPF (not funded by Member States assessed contributions), the Fund is not subject to geographical quotas.

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						<p>The Fund recalls that it is mindful of the most efficient use of resources and has a compact structure which requires high specialization. As per the Charter of the United Nations, the paramount consideration in the employment of the staff and in the determination of the conditions of service shall be the necessity of securing the highest standards of efficiency, competence, and integrity.</p> <p>Furthermore, the Fund continues to pay due regard to the importance of recruiting the staff on as wide a geographical basis as possible, as evidenced by the current composition of its staff (in such a small organization, all regions and 35 countries currently represented). Therefore, there is no basis for establishing specific targets.</p>