



INTERNAL AUDIT DIVISION

REPORT 2022/013

Audit of compliance with investment policies and procedures in the Office of Investment Management of the United Nations Joint Staff Pension Fund

The Office of Investment Management needed to further strengthen investment policies and procedures and their implementation

17 May 2022

Assignment No. AS2021-801-04

Audit of compliance with investment policies and procedures in the Office of Investment Management of the United Nations Joint Staff Pension Fund

EXECUTIVE SUMMARY

The Office of Internal Oversight Services (OIOS) conducted an audit of compliance with investment policies and procedures in the Office of Investment Management (OIM) of the United Nations Joint Staff Pension Fund (UNJSPF). The objective of the audit was to determine whether effective controls were implemented to ensure that OIM's investment activities comply with relevant policies and procedures. The audit covered the period from 1 January 2020 to 31 December 2021 and included a review of compliance with the: (i) governance and policy framework; (ii) investment rules; and (iii) ethical standards.

The audit showed the need to further strengthen investment policies and procedures and their implementation.

OIOS made four recommendations. To address issues identified in the audit, OIM needed to:

- Maintain a master list of all active investment rules that is reconciled with the source documents authorizing them and the limits built into the systems for monitoring, and provide new staff with investment rules and customized training on those applicable to their functions;
- Update the delegation of authority memorandum to ensure that it provides the authority limits of investment officers at different levels, defines authority by functional roles instead of staff names, and addresses the authority of the Senior Investment Officer for approving Private Equity capital call notices;
- Re-evaluate and optimize the scope and modality of the compliance review conducted by the Compliance Team; and
- Revise the mandatory leave policy to disallow declaring mandatory leave on a post-facto basis; and implement a mechanism to monitor system access by OIM staff during their mandatory leave.

OIM accepted the recommendations and has initiated action to implement them. Actions needed to close the recommendations are indicated in Annex I.

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Audit of compliance with investment policies and procedures in the Office of Investment Management of the United Nations Joint Staff Pension Fund

I. BACKGROUND

1. The Office of Internal Oversight Services (OIOS) conducted an audit of compliance with investment policies and procedures in the Office of Investment Management (OIM) of the United Nations Joint Staff Pension Fund (UNJSPF).
2. UNJSPF was established in 1949 by the General Assembly to provide retirement, death, disability, and related benefits for the staff of the United Nations and other organizations admitted to the membership of the Fund. The investments of the Fund are managed by OIM with a portfolio of \$90.7 billion as of 31 December 2021. Under the authority of the Secretary-General, the Representative of the Secretary-General for the investment of the assets of the Fund (RSG) has a fiduciary responsibility to manage the investments in the best interests of participants and beneficiaries.
3. Investments in OIM are carried out within the framework of Investment Policy Statement (IPS), which provide high-level investment strategies investment principles. The IPS was last updated in 2019 and OIM was in the process of updating it again at the time of the audit. Most of the detailed investment rules¹ are documented in the Investment Procedures, which also provide the investment strategy, process and authority for the different asset classes. Since its creation in 2014, the Risk Manual captured the risk limits set for the asset classes. Both the Investment Procedures and Risk Manual were last updated in 2020. OIM has also promulgated a number of policies to guide and regulate staff members' conduct to ensure that they act in the best interest of the Fund.
4. The Compliance Team in OIM was established in 2008 to identify, assess, monitor and report on compliance risks relating to investment activities and the personal conduct of staff members. As of 31 December 2021, the Team had an authorized strength of four posts (P-4, P-3, P-2 and G-7). The Compliance Team is supervised by the Chief Risk and Compliance Officer (CRCO) at the D-1 level, who reports to the RSG directly.
5. Comments provided by OIM are incorporated in italics.

II. AUDIT OBJECTIVE, SCOPE AND METHODOLOGY

6. The objective of the audit was to determine whether effective controls were implemented to ensure that OIM's investment activities comply with relevant policies and procedures.
7. This audit was included in the 2021 risk-based work plan of OIOS due to risks associated with OIM's non-compliance with investment policies and procedures.
8. OIOS conducted this audit from November 2021 to March 2022. The audit covered the period from 1 January 2020 to 31 December 2021. Based on an activity-level risk assessment, the audit covered risk areas relating to compliance with the: (i) governance and policy framework, (ii) investment rules; and (iii) ethical standards.

¹ OIM uses "investment guidelines", "investment rules" and "investment limits" interchangeably in various documents.

9. The audit methodology included: (a) interviews with key personnel; (b) review of relevant documentation and processes; and (c) analytical review of data.

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

III. AUDIT RESULTS

A. Compliance governance and policy framework

Compliance governance was effective

11. An internal Compliance Committee was established in early 2018 to oversee and advise the RSG in respect of the design and implementation of the compliance framework, which consists of various policies and procedures. The Committee was initially chaired by the former director of OIM and since September 2020 by the CRCO. Its members consist of the RSG and other senior managers of OIM. The Committee held meetings on a quarterly basis and formal minutes were kept. Changes to investment policies and procedures, audit recommendations and compliance issues were discussed, and decisions were made in the meetings. The CRCO's direct reporting line to the RSG also ensures the independence of the Compliance Team. Overall, OIM senior management demonstrated an adequate commitment to ensuring compliance with the investment policies and procedures.

Need to maintain a master list of current investment rules

12. OIM has set numerous investment limits for the different asset classes, covering assets managed both internally and externally. Many of the investment limits were frequently revised and new ones were added in response to the growth in the Fund's assets or changes in investment strategies, processes and practices. Since it was difficult and impractical to frequently update the IPS and Investment Procedures to reflect the changes, OIM used ad-hoc memoranda approved by OIM senior management (mostly the RSG) to communicate the revisions. Consequently, at the time of the audit, the 71 active investment limits² applicable to internally managed portfolios were included in 12 different documents, including eight memoranda created since 2014. These documents provided the rationales for setting the investment limits at specific levels.

13. Having the investment rules and their underlying rationales communicated through several documents makes it harder to reference and keep track of them, and ensure that they are properly reflected in the policies and procedures that are periodically updated. Illustratively, OIM previously used a table in the Investment Procedures of 2014 describing the tiered delegation of authority (DoA) to investment officers by 'amount of investment transactions' or 'percentage of portfolio value', i.e., trades above certain thresholds requiring approval by a deputy director or the director. However, this table was left out of the Investment Procedures and DoA memorandum updated in 2020. Moreover, the Investment Procedures updated in June 2020 did not incorporate most of the investment limits that had been approved in those ad-hoc memoranda.

14. The lack of a central repository of all relevant investment guidelines may also impact staff's awareness of these guidelines. As part of the orientation process, the Compliance Team sends new staff a package of OIM policies on ethics and conduct standards, such as the OIM Code of Ethics, the Personal

² 73 limits were built into the system, out of which two relating to custodian bank used by OIM in the past were not applicable anymore.

Trading Policy, Conflict of Interest and Recusal Policy, etc. New staff members are required to acknowledge receipt of and pledge adherence to the policies in writing. However, the investment policies and procedures, especially the active investment rules, were not included in the package. Nor were additional measures taken, such as training tailored to the needs and function of the new staff, to ensure adequate awareness and understanding of applicable investment policies and procedures.

15. OIM developed a draft Compliance Policy in 2008, which, inter alia, tabulated and classified all active investment limits into different categories depending on their nature, including those applicable to assets managed by external discretionary managers. However, the draft policy was not subsequently approved by OIM management and the initiative to have a standalone compliance policy was dropped for an unknown reason. Considering that it is impractical to keep all policies and procedures updated at all times, OIOS is of the view that the Compliance Team could maintain a master list of the active investment rules with an adequate explanation of them and identify the source documents through which the limits were approved. The list could be a standalone document or annexed to the latest Investment Procedures. The Compliance Team should also include the table in the orientation package shared with new staff and train them on the rules relevant to their function.

(1) OIM should: (i) maintain a master list of all active investment rules that is reconciled with the source documents authorizing them and the limits built into the systems for monitoring; and (ii) provide new staff members the active investment rules and a customized training on the rules applicable to their job functions.

OIM accepted recommendation 1.

Need to update the delegation of authority memorandum

16. The DoA memorandum is a master document that defines the authority of OIM staff in all types of activities. It was last updated in February 2020. As mentioned above, the authority limits (either in basis points or dollar amounts) for approving investment transactions were left out of the memorandum. The memorandum has two additional weaknesses.

17. First, the authority to initiate and approve investment trades, accounting entries and operational activities were delegated to individual staff by their names. As a result, the document became technically outdated as soon as there were staff changes, including changes in roles. It also creates technical non-compliance with the DoA when a staff joins the office and carries out transactions or changes his/her job function. The form used to request and approve system access rights for new staff did not specify the investment transactions he or she can initiate and approve. Since it is impractical to constantly update the document due to staff turnover, OIOS is of the view that it is better to define the authority of OIM staff by their functional roles.

18. Second, the vendor contracted by UNJSPF to test its internal controls as part of the audit of financial statements identified in 2021 cases where one Senior Investment Officer (SIO) signed on capital call notices³ for Private Equity investments. However, the Officer was not authorized to do this per the DoA memorandum. This allegedly happened because the former RSG, in February 2020, instructed the Legal Team of OIM to exclude the SIO in question from the list of officers who can sign off on call notices. The revised memorandum was not widely circulated in the office, nor was the SIO informed of the change. A

³ A capital call is a legal right of an investment firm or fund manager to demand a portion of the money promised to it by an investor. The call notices should be signed off by two authorized investment officers and passed onto the Middle Office to enable fund transfer to external fund managers in response to capital calls.

reasonable justification for excluding the SIO was not available since the former RSG separated in March 2020. OIOS is of the view that OIM management should reassess the issue and take appropriate action.

(2) OIM should update the delegation of authority memorandum to ensure it: (i) provides the authority limits of investment officers at different levels; (ii) defines authority by functional roles instead of staff names; and (iii) addresses the authority of the Senior Investment Officer for approving Private Equity capital call notices.

OIM accepted recommendation 2 and stated that authority limits of investments also differ depending on asset classes.

Authority of the CRCO to approve trade orders

19. The Investment Procedures of 2014 listed the CRCO as one of the directors that can approve trade orders of Public Equities and Fixed Income above the respective thresholds. It was a legacy arrangement established when OIM had a thin management structure, with only one Deputy Director for Investments (Equities). Though the authority of the CRCO to approve trade orders of Public Equities and Fixed Income above the respective thresholds was not explicitly mentioned in the Investment Procedures and DoA Memorandum of 2020, it was embedded in the trade order management system and has remained so since its implementation. This authority was exercised when the current CRCO served as Officer-in-Charge for OIM during two brief periods in 2019. Considering OIM's organizational growth and the need to segregate incompatible duties, OIOS recommended to rescind this authority and it was agreed and effected immediately by OIM in the system.

B. Compliance with investment rules

Automated compliance monitoring worked effectively, but authority limits could be bypassed

20. The investment rules for internally managed Public Equities and Fixed Income investments, including the authority to initiate and approve investment transactions and prohibited investments such as tobacco, armament, fossil fuel and thermal coal, were built into the trade order management system, which performs both pre-trade screening of the trade orders and post-trade checks of holdings. For instance, buy orders of restricted investments such as stocks of a tobacco company, or buy orders with a quantity greater than 4.75 per cent of total shares outstanding, cannot be placed and executed. The Compliance Team provided OIOS daily and weekly post-trade compliance reports from the system with alerts of breaches of portfolio-related rules as evidence of post-trade compliance checks, for example, holdings exceeding five per cent of the portfolio value. Such reports were submitted to OIM management by the Compliance Team together with the daily or weekly "trading blotter" – a complete list of all Public Equity and Fixed Income trades executed in a day or week.

21. Based on a comprehensive review of the rules embedded in the system and the post-trade compliance reports of 2020 and 2021, OIOS is of the view that the compliance monitoring, in general, was effective except for one weakness. This related to the configuration of approval limits in the system that could lead to the split of trade orders to bypass approval at the director level. Trade orders of Public Equities up to 125 basis points (or 0.125 per cent) of the prior day's market value by region can be authorized by two investment officers and those above the threshold need approval by the Deputy Director for Public Equities or the CIO. The threshold for Fixed Income and currency transactions was set at \$200 million. The system was configured only to check against these authority limits based on individual trade orders instead of aggregated amounts of several orders of the same security or currency placed, say, during the same day. As a result, split orders to bypass approvals of the deputy directors and the CIO would not be

detected and stopped. Testing conducted by OIM with OIOS observation in the Beta environment of the system confirmed this. Subsequently, OIM provided OIOS with written confirmation from the vendor that the trade order management system cannot be configured to check orders based on their aggregated amounts. Therefore, currently, OIM can only perform manual checks on a post-facto basis. Considering the issue is addressed by recommendation 3 in the following section, OIOS does not make another recommendation.

22. OIM's external managers use their own systems for trading and the transactions and positions in OIM's accounts are recorded in the system of OIM's custodian bank. All of the investment guidelines in the investment management agreements (IMAs) were built into the custodian's system to enable post-trade compliance review except for the monitoring of stocks with maximum capitalization held by the Small Capitalization managers because of the limitations of the custodian's system. As a result, OIM resorted to a compensating control - requiring external managers to submit Compliance Certificates to declare compliance with all the terms and conditions of the IMAs, including the investment guidelines. The external managers were also required to report breaches of the investment guidelines and their resolution if any. Based on a review of the guidelines that were embedded in the custodian's system, the reported breaches, communications of the restricted lists (securities of companies with business in tobacco, armament, fossil fuel and thermal coal), resolution of breaches, and approvals of exceptions during the audited period, OIOS is of the view that the compliance monitoring of externally managed investments was effective.

Need to assess and modify the scope and modality of the regular compliance reviews

23. Since its establishment in 2008, the Compliance Team has been conducting compliance reviews on a quarterly basis. The objectives of the periodic reviews were to determine compliance with the policies and procedures, assess the adequacy and the effectiveness of the system of internal controls over the investment process and verify the reliability of reported data and records supporting the investment process. The review results were submitted to the Compliance Committee prior to its regular meetings but were rarely discussed at the meetings, possibly because of a lack of significant findings.

24. OIM has significantly grown since 2008, resulting in a very different control environment. Every internal function, including the investment teams, is now better resourced. Several internal committees were established to oversee investment, risk, compliance, and operations. Compliance monitoring was mostly automated with the implementation of different systems. The Fund also hired a vendor to conduct annual testing of important controls as part of the audit of financial statements. These changes in the control environment have mostly rendered the current compliance reviews redundant, as detailed below.

25. One major component of the quarterly compliance review was "portfolio review," which consisted of a review of: (i) external managers' portfolios against the investment guidelines included in the IMAs signed with those managers, including prohibited and restricted transactions; (ii) the short-term (cash) portfolio against quality standards (minimum credit ratings); and (iii) the total portfolio's holdings with accumulated unrealized gain or loss above 25 per cent of the original cost. Since the first two portfolios were monitored using systems on an ongoing basis and actions were initiated when exceptions were detected, the compliance review reports usually only provided a summary of the recent changes to the policies and procedures and the IMAs. For item (iii), the Compliance Team routinely generated a report of public equity holdings with an unrealized gain or loss of more than 25 per cent as of the end of the quarter under review, but did not conduct an analysis of those positions which usually amounted to several hundred. The review of holdings in the portfolios should be an integral responsibility of the investment teams as a part of their ongoing portfolio management.

26. The other major component of the compliance review was the “substantive review of transactions”, through which the documentation of the investment rationale for Public Equity and Fixed Income transactions was reviewed on a sample basis but limited to checking if the trade recommendation form was uploaded to the system in support of a trade order for a new position. “Substantive review” also covered currency transactions: a report of currency trading that occurred in the quarter was generated and brokers used were ranked per trading volume, but no further analysis and conclusions were made on the reasonableness of trade allocation and competitiveness of prices obtained. Review of execution of investment trades, including currency transactions, falls under the responsibility of and should be carried out by the Best Execution Committee of OIM⁴.

27. In this connection, OIOS noted that some analyses conducted by the Compliance Team when the compliance reviews were initiated in 2008 were not included in the current reviews. For instance, the Compliance Team used to analyze trading data of the different portfolios to determine if there was “portfolio churning”, i.e., frequent buying and selling of securities to pursue short-term gains. In addition, the Team analyzed trading data to determine if orders were split to bypass approval at the director level. Such analyses can add more value to the investment process and compliance monitoring.

28. In summary, the current quarterly compliance reviews mostly duplicated the automated compliance monitoring or the work of other functions in OIM and there are other potential analyses that can add more value to OIM. Instead of having formalized compliance reviews on a regular basis, the Compliance Team can potentially conduct ad-hoc reviews or spot checks if no persistent compliance issues are detected.

(3) OIM should re-evaluate and optimize the scope and modality of the compliance review conducted by the Compliance Team.

OIM accepted recommendation 3 and stated that it will revise the scope and modality of the quarterly compliance review by eliminating the 25 per cent unrealized gains and losses reporting and expanding the scope of the review to include portfolio churning, as well as sampling to verify if trades requiring the 3rd level approval from the Director of Equities was being circumvented by splitting the trades into small consecutive trades in order to evade this control mechanism.

C. Compliance with ethics and conduct standards

Need to improve monitoring of personal trading

29. OIM enacted a personal trading policy⁵ in 2016, which was updated in 2020, to prevent conflicts between the personal interests of staff members when conducting their financial affairs and the interests of the Fund, including front running⁶, excessive personal trading and day trading. Per the policy, any security transaction in which the staff member has or acquires a financial interest must be pre-cleared by the Compliance Team, and staff cannot make more than 10 trades per month. A minimum holding period of 60 days must also be observed.

30. In August 2020, OIM implemented Compysci, an off-the-shelf system for clearing and monitoring personal trading. Requests for clearance of personal trades by staff and approval by the Compliance Team were processed using the system since its implementation. However, the system was not configured to

⁴ An internal committee established to oversee trade execution and transaction cost.

⁵ The document is titled as Personal Securities Policy and Procedure but commonly referred to as Personal Trading Policy.

⁶ Front running is trading of securities based on insider knowledge of a future transaction that will affect its price.

monitor compliance with the limit of 10 trades per month and the minimum holding period. Furthermore, OIM could not ascertain whether staff members have reported all their personal trading for pre-clearance and monitoring, i.e., the completeness of reporting, because there was no objective source of information to check against, such as direct broker feeds⁷. The Board of Auditors noted these issues and made recommendations to address them. OIM accepted the recommendations and was in the process of implementing them.

Enforcement of the mandatory leave policy needed improvement

31. In line with the industry's best anti-fraud practices, OIM adopted a Mandatory and Extended Leave Policy in 2010, which required OIM staff members to take at least 10 consecutive business days in a fiscal year. The main objectives of the policy are to ensure business continuity during staff's absence and to enable the detection of potential fraud such as falsified or doctored statements or "money borrowing" because such frauds can be more easily detected when the person committing it is not around to conceal it. All OIM staff members in operations, information systems, investments and trading sections are subject to the policy, regardless of their employment contract type. The policy was subsequently revised four times since its inception. The latest revision in 2021 relaxed the requirement from a minimum of 10 consecutive business days to 10 consecutive calendar days, resulting in weekends and public holidays being eligible, apart from annual leave, certified and uncertified sick leave, maternity, and paternity leave. Consequently, the effective duration of the mandatory leave days can be as short as five days in a 10-day period after accounting for four weekend days and one United Nations holiday.

32. The log maintained by the Compliance Team for reported mandatory leave shows that OIM staff members subject to the policy had either taken the required mandatory leave or obtained waivers approved by the CRCO during 2020 and 2021. However, there were two issues with the enforcement of the policy.

33. First, the policy appears to require staff members to report to the Compliance Team the intended period of mandatory leave in advance as the standard form (for both reporting mandatory leave and requesting for waiver) requires staff to designate a backup during his or her absence to ensure business continuity. However, in practice, staff members were allowed to voluntarily declare which period of leave they took as mandatory leave on a post-facto basis. Staff who reported mandatory leave did not always provide the names of their backup on the form. OIM stated that post-facto reporting was accepted because sometimes the mandatory leave taken by staff included sick leave, which was unforeseeable beforehand. In OIOS' view, giving staff the choice to designate time off as mandatory leave after they took it would significantly weaken the deterrence effect of the policy as a perpetrator of fraud, they would also feel more comfortable to declare afterwards a period of absence as mandatory leave if the fraud was not uncovered, compared to declaring in advance and facing the uncertainty.

34. Second, per the requirements of the policy, the staff member on mandatory leave "should not participate in any business transactions involving movement of funds or investment transactions and there should be minimal if any electronic or physical contact with OIM, its custodians or vendors during this absence." To enforce this requirement, "access to the main systems for investment, accounting and financial reporting may be monitored and reported unless an exception is approved by the Compliance Team." However, the Compliance Team did not check access to various business systems by staff during their mandatory leave.

35. Considering the significant reduction in the required duration of mandatory leave in terms of business days, OIOS is of the view that, in principle, OIM should not allow declaration of mandatory leave

⁷ Information on staff members' personal trading provided by all brokers that can be used by staff.

on a post-facto basis to prevent further weakening of the policy. A process to monitor system access by staff on mandatory leave should also be implemented.

- (4) OIM should: (i) revise the mandatory leave policy to disallow declaring mandatory leave on a post-facto basis; and (ii) implement a mechanism to monitor the system access by OIM staff members during their mandatory leave.**

OIM accepted recommendation 4, with a minor clarification that unexpected events such as uncertified sick leave days will be permitted to be counted against the 10-day requirement. In this particular event, the form would have to be given on a post-facto basis, given the unpredictable nature of sick leave.

IV. ACKNOWLEDGEMENT

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

(Signed) Eleanor T. Burns
Director, Internal Audit Division
Office of Internal Oversight Services

STATUS OF AUDIT RECOMMENDATIONS

Audit of compliance with investment policies and procedures in the Office of Investment Management of the United Nations Joint Staff Pension Fund

Rec. no.	Recommendation	Critical ⁸ / Important ⁹	C/ O ¹⁰	Actions needed to close recommendation	Implementation date ¹¹
1	OIM should: (i) maintain a master list of all active investment rules that is reconciled with the source documents authorizing them and the limits built into the systems for monitoring; (ii) provide new staff members the active investment rules and customized training on those applicable to their job functions.	Important	O	Receipt of documentation showing maintenance of a master list of all active investment rules and training of new staff on active investment rules applicable to their job functions.	31 December 2022
2	OIM should update the delegation of authority memorandum to ensure that it: (i) provides the authority limits of investment officers at different levels; (ii) defines authority by functional roles instead of staff names; and (iii) addresses the authority of the Senior Investment Officer for approving Private Equity capital call notices.	Important	O	Receipt of an updated DoA memorandum, with authority limits of investment officers at different levels, authority defined by functional roles for various asset classes and the authority of the SIO for approving Private Equity capital call notices addressed.	31 December 2022
3	OIM should re-evaluate and optimize the scope and modality of the compliance review conducted by the Compliance Team.	Important	O	Receipt of documentation indicating revision of the scope and modality of the compliance review.	31 December 2022
4	OIM should: (i) revise the mandatory leave policy to disallow declaring mandatory leave on a post-facto basis; and (ii) implement a mechanism to monitor the system access by OIM staff members during their mandatory leave.	Important	O	Receipt of a revised mandatory leave policy that disallows declaring mandatory leave on a post-facto basis in general and of documentation indicating monitoring of the system access of OIM staff members during their mandatory leave.	31 December 2022

⁸ 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.

⁹ 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.

¹⁰ Please note the value C denotes closed recommendations whereas O refers to open recommendations.

¹¹ Date provided by OIM, UNJSPF in response to recommendations.

APPENDIX I

Management Response



To: Ms. Fatoumata Ndiaye
Under Secretary General for
Internal Oversight Services

DATE: May 3, 2022

Reference:

-and-

Ms. Eleanor T. Burns,
Director, Internal Audit Division, OIOS

THROUGH: Mr. Pedro Guazo
Representative of the Secretary-General
for the investment of UNJSPF assets

A handwritten signature in black ink, appearing to read 'Isabela Munch'.

-and-

Ms. Isabela Perle Munch
Chief Risk and Compliance Officer, Office of Investment Management

FROM:

SUBJECT: Draft report of an audit of compliance with investment policies and procedures in the Office of Investment Management (OIM) of the United Nations Joint Staff Pension Fund (Assignment No. AS2021/801/04)

1. OIM acknowledges receipt of the draft report of an audit of compliance with investment policies and procedures in the Office of Investment Management of the United Nations Joint Staff Pension Fund (Assignment No. AS2021/801/04).
2. OIM would like to take this opportunity to thank the Office of Internal Oversight Services and staff for their comprehensive effort including the on-going collaboration during the thorough review and analysis, and the detailed findings, observations and recommendations.
3. OIM has attached the completed form provided (APPENDIX I -Audit recommendations) including detailed responses and comments to the recommendations related to OIM.

c.c.

Mr. Toru Shindo, Chief Investment Officer, OIM
Ms. Sahra Diament, Senior Legal Counsel, OIM
Ms. Maria Tsimboukis, Compliance Officer, OIM
Mr. David Nyskohus, OIOS
Ms. Maya Fridman, OIOS

Management Response

Audit of compliance with investment policies and procedures in the Office of Investment Management of the United Nations Joint Staff Pension Fund

Rec. no.	Recommendation	Critical ¹ / Important ²	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
1	OIM should: (i) maintain a master list of all active investment rules that is reconciled with the source documents authorizing them and the limits built into the systems for monitoring; (ii) provide new staff members the active investment rules and customized training on those applicable to their job functions.	Important	YES	Chief Risk and Compliance Officer	Q4 2022	OIM accepts this recommendation.
2	OIM should update the delegation of authority memorandum to ensure that it: (i) provides the authority limits of investment officers at different levels; (ii) defines authority by functional roles instead of staff names; and (iii) addresses the authority of the Senior Investment Officer for approving Private Equity capital call notices.	Important	YES	Senior Legal Counsel	Q4 2022	OIM accepts the recommendation with a minor clarification that authority limits of investments also differ depending on asset classes.
3	OIM should re-evaluate and optimize the scope and modality of the compliance review conducted by the Compliance Team.	Important	YES	Chief Risk and Compliance Officer	Q42022	OIM accepts this recommendation and will revise the scope and modality of the quarterly compliance review by eliminating the 25% unrealized gains and losses reporting and expanding the scope of the review to include portfolio churning as well as sampling to verify if trades required the 3 rd level

¹ 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.

² 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.

Management Response

Audit of compliance with investment policies and procedures in the Office of Investment Management of the United Nations Joint Staff Pension Fund

Rec. no.	Recommendation	Critical ¹ / Important ²	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
						approval from the Director of Equities was being circumvented by splitting the trades into small consecutive trades in order to evade this control mechanism.
4	OIM should: (i) revise the mandatory leave policy to disallow declaring mandatory leave on a post-facto basis; and (ii) implement a mechanism to monitor the system access by OIM staff members during their mandatory leave.	Important	YES	Chief Risk and Compliance Officer	Q42022	OIM accepts this recommendation with a minor clarification that unexpected events such as USL days which are permitted to be counted against the 10-day requirement. In this particular event, the form would have to be given on a post-facto basis given the unpredictable nature of sick leave.