



Office of Internal Oversight Services

## **INTERNAL AUDIT DIVISION**

### **AUDIT REPORT 2013/057**

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**Audit of the management of United Nations Joint Staff Pension Fund Secretariat's institutional knowledge transfer**

**Overall results relating to the management of UNJSPF Secretariat's institutional knowledge transfer were initially assessed as satisfactory.**

**FINAL OVERALL RATING: SATISFACTORY**

**18 July 2013**

**Assignment No. AS2012/800/02**

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# **AUDIT REPORT**

## **Audit of the management of United Nations Joint Staff Pension Fund Secretariat's institutional knowledge transfer**

### **I. BACKGROUND**

1. The Office of Internal Oversight Services (OIOS) conducted an audit of the management of United Nations Joint Staff Pension Fund (UNJSPF or the Fund) Secretariat's institutional knowledge transfer.

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) efficient and effective operations; (b) accurate financial and operational reporting; (c) safeguarding of assets; and (d) compliance with mandates, regulations and rules.

3. The 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 such other organizations as might be admitted to membership. There are currently 23 member organizations. In accordance with the regulations adopted by the General Assembly, the Fund is administered by the United Nations Joint Staff Pension Board (Pension Board), a staff pension committee for each member organization and a secretariat to the Board and to each such committee. The Pension Board reports to the General Assembly on the operations of the Fund and on the investment of its assets.

4. As of 28 February 2013, the Fund had 119,891 active participants and 67,687 periodic benefits payments. In 2012, the annual periodic benefits payments by the Fund amounted to more than \$1.7 billion, with payments having been made in 15 currencies in some 190 countries. The total payments made, including lump sum and final cash withdrawal settlements, exceeded \$2.2 billion.

5. Institutional knowledge is the collective set of experiences and know-how held by the people who support the objectives of the UNJSPF. It relates to all the operational aspects of the pension fund that have been collected over the years, including the diversity of pension cases in order to create policies, procedures and practical examples for pension administration. Knowledge transfer seeks to organize, create, capture or distribute knowledge and ensure its availability for future users.

6. To support the transfer of institutional knowledge, management implemented a group of software applications to maintain policies, procedures, and related documents in order to make them available to the Fund personnel in a complete and practical way. Collectively, the applications comprised the knowledge management system. Complete, updated and easy-to-access information are the three key conditions for having an effective and efficient system to transfer pension administration knowledge.

### **II. OBJECTIVE AND SCOPE**

7. The audit was conducted to assess the adequacy and effectiveness of the UNJSPF Secretariat governance, risk management, and control processes in providing reasonable assurance regarding the efficient and effective transfer of institutional knowledge to support pension entitlement operations.

8. This audit was included in the 2012 OIOS annual work plan due to the risk of the unavailability of relevant knowledge. The complexity of benefits processing, evolution of benefits provisions and

expectations from participants and pensioners/beneficiaries require the Fund to support effective transfer of the institutional knowledge. In the absence of documented institutional knowledge, the Fund could be exposed to operational challenges.

9. The key control tested for the audit was identification and analysis of risk. For the purpose of this audit, OIOS defined this key control as a group of controls that provide reasonable assurance that the organization identifies risks to the achievement of its objectives and analyses risks as a basis for determining how the risks should be managed.

10. The key control was assessed for the control objectives shown in Table 1. Certain control objectives shown in Table 1 as “Not assessed” were not relevant to the scope defined for this audit. The audit focused on the following:

- (a) Transfer of knowledge related to pension entitlements processes, including the adjudication of initial benefit entitlements and subsequent adjustments, and the process of certification of entitlement;
- (b) The knowledge management system that is used for the administration of the pension; and
- (c) The UNJSPF Secretariat’s approach for preparing and updating the databases supporting knowledge transfer during the implementation of the Integrated Pension Administration system (IPAS).

11. OIOS conducted this audit from July to August 2012 and covered the design and the effectiveness of the key control at that point in time.

12. OIOS conducted an activity-level risk assessment to identify and assess specific risk exposures, and to confirm the relevance of the selected key controls in mitigating associated risks. Through interviews, analytical reviews and tests of controls, OIOS assessed the existence and adequacy of internal controls and conducted necessary tests to determine their effectiveness.

13. The work on the knowledge management system included reviewing the status of the information stored for its relevance (e.g., current procedures versus obsolete practices) and its ease of accessibility through system applications. The scope did not include an assessment of general computer controls.

### **III. AUDIT RESULTS**

14. The UNJSPF Secretariat’s governance, risk management and control processes examined were assessed as **satisfactory** in providing reasonable assurance regarding **the efficient and effective transfer of institutional knowledge to support pension entitlement operations**.

15. The initial overall rating was based on the assessment of key controls presented in Table 1 below. The final overall rating is **satisfactory**.

**Table 1: Assessment of key control**

Business objective	Key control	Control objectives			
		Efficient and effective operations	Accurate financial and operational reporting	Safeguarding of assets	Compliance with mandates, regulations and rules
Efficient and effective transfer of institutional knowledge to support pension entitlement operations	(a) Identification and analysis of risk	Satisfactory	Not assessed	Not assessed	Not assessed
<b>FINAL OVERALL RATING: SATISFACTORY</b>					

16. At the time of the audit, one of the software applications within the knowledge management system was discontinued by the vendor and not available for purchase. In addition, the application software was about to be no longer supported by the vendor for application upgrades. As a result, the Fund was exposed to the risk of system performance degradation, which could have led to the loss of access to authoritative documentation contained in the system. UNJSPF Secretariat took adequate steps to mitigate this risk.

### **A. Identification and analysis of risk**

Risk of loss of access to authoritative documentation contained in the application software of the knowledge management system was managed adequately

17. In February 2009, the vendor of the application software used by the Fund to support the Pension Library component of the knowledge management system announced the discontinuation of the product. This soon led to the software no longer being available for purchase. In addition, the vendor stopped supporting the software a few years later in September 2012. As a result, the Fund faced the risk of system performance degradation, such as system downtime and delays, because unsupported application software does not receive service updates, including security patches to fix newly identified vulnerabilities, and software updates to address bugs needed to ensure the continuous maintainance and availability of the software. This could have impaired the availability of the data needed for institutional knowledge transfer.

18. As part of system lifecycle management, the Information Management Systems Service (IMSS) of the UNJSPF Secretariat initiated a project to migrate data from legacy applications of the knowledge management system to an upgraded vendor supported environment. The project completion date was December 2013. To mitigate the risk of system failure or unavailability of the Pension Library during the migration project, IMSS maintained a backup of the Pension Library at the Fund’s Geneva datacentre and developed a disaster recovery procedure. Based on the action taken by management, OIOS did not make a recommendation.

Approach to managing the databases of the knowledge management system during the Integrated Pension Administration System implementation is adequate

19. IPAS was scheduled to be in production by mid-2014. During the implementation of the new pension administration system, updates to the operations policies and procedures and development of the e-learning modules were put on hold. As management planned not to make significant changes to policies and procedures during the IPAS implementation, the risk of there being outdated information in the Pension Library database was low. Therefore, OIOS did not make a recommendation.

#### **IV. ACKNOWLEDGEMENT**

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

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

# **APPENDIX I**

## **Management Response**

UNITED NATIONS



NATIONS UNIES

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

NEW YORK (Headquarters)  
P.O. Box 5036, UNITED NATIONS, N.Y., N.Y. 10017  
Tel: (212) 963-6931; Fax: (212) 963-3146  
E-mail: [UNJSPF@UN.ORG](mailto:UNJSPF@UN.ORG)  
Cable: UNATIONS NEWYORK  
Web: <http://www.unjspf.org>

OFFICE AT GENEVA  
c/o PALAIS DES NATIONS  
CH -1211, Geneva 10  
Tel: +41 (0) 22 928 8800; Fax: +41 (0) 22 928 9099  
E-mail: [UNJSPF.GVA@UNJSPF.ORG](mailto:UNJSPF.GVA@UNJSPF.ORG)  
Web: <http://www.unjspf.org>

MEMORANDUM

Ref:

New York, 24 June 2013

To / A: Ms. Carmen Vierula, Chief of New York Audit Service  
Internal Audit Division, OIOS

From / De :

  
Sergio Arvizu  
Chief Executive Officer  
United Nations Joint Staff Pension Fund

Subject / Objet: Assignment No. AS2012/800/02 - Audit of management of UNJSPF Secretariat institutional knowledge transfer - Response of the UNJSPF Secretariat to the draft report

1. Reference is made to your memorandum dated 13 June 2013 providing for the Fund's comments, the draft report on the audit of the management of United Nations Joint Staff Pension Fund Secretariat's institutional knowledge transfer.
2. UNJPSF management has no comments to the draft audit report and would like to thank OIOS for its thoughtful assessment of this important subject matter and the constructive discussion with the Fund secretariat staff.

cc.: Mr. Fernando Salon, UNJPSF Audit Section, OIOS  
Mr. Paul Dooley  
Mr. Frank Deturris  
Ms. Kathalina Manosalvas