OIOS remarks on comments in the "Report of the United Nations Joint Staff Pension Board" (A/73/9) on the "Comprehensive audit of the governance structure and related processes of the United Nations Joint Staff Pension Board" (A/73/341)

The Annex to the OIOS report titled "Comprehensive audit of the governance structure and related processes of the United Nations Joint Staff Pension Board" (A/73/341) contains the comments made by the Board on a draft of that report. The present document provides relevant excerpts (in italics) of the additional comments on the OIOS audit which the Board included in its report A/73/9, and OIOS remarks thereon. The present document must be read in conjunction with the OIOS report A/73/341.

Page/ Paragraph[1]	***Comments of the Board***	***OIOS remarks***
Page 71, para. 340	*Although invited on numerous occasions prior to and during the session of the Board to attend in person and to observe the Board's sessions, OIOS declined and instead presented the audit report via videoconference ...*	It would have been impossible for OIOS to submit its report to the General Assembly in accordance with the Assembly's timeline if the Office were to observe the Board's session (which took place from 26 July to 3 August 2018) as part of this audit. This is because drafting of the OIOS report would have had to start after observing the Board's session, and the Board would have had to consider the OIOS report only during its 2019 session because, as explained by the Board's Chair during the audit, no comments on the OIOS draft report could be provided until the report had been considered and discussed by the whole Board during its session. Also, despite OIOS issuing the detailed results of this audit as early as 1 June 2018 (i.e., seven weeks before the Board's session) for the Board's review, a Board member representing the participants of a specialized agency took the position that the Board's consideration of the OIOS report must be postponed to its 2019 session on the grounds that the time available for reviewing the audit results was inadequate. It was therefore not feasible for OIOS to observe the Board's session as part of the audit. OIOS was invited twice – once on 18 June 2018 (before the Board's session) and once during the session – to introduce the audit report to the Board and answer questions. OIOS had explained in writing to the Board's Chair in June 2018 the reasons why the audit team could not travel to Rome to present the report. However, OIOS assured the Board's Chair that audit staff who were physically in New York at the time (including those on annual leave) would attend the Board's session by videoconference to discuss the OIOS report and answer questions. Eventually, the presentation/discussion on the OIOS report took place

[1] Page and paragraph numbers of relevant excerpts from the report of the Board (A/73/9).

		by videoconference; OIOS answered all the questions of Board members and representatives and provided necessary clarifications. It is relevant to note in this context that the General Assembly has repeatedly emphasized the need to reduce travel expenditure by using alternatives such as video conferencing. The administrative instruction (ST/AI/2013/3) issued by the Secretary-General requires the programme manager to certify that alternatives such as videoconferencing would not be effective. For the last several years, OIOS has been participating in the Board's sessions by videoconference. It would therefore be improper for OIOS, as the Office that is responsible for reviewing compliance with regulations and rules by others, to certify that participation by videoconference would not be effective to present the governance report to the Board. Doing so would have resulted in avoidable travel expenditure of approximately $19,000 to the Fund.
	… A large majority of the members of the Board considered that OIOS had not engaged in proper dialogue with the auditee. Several members of the Board expressed their disappointment that OIOS had not observed the Board's session or come in person to the session to answer questions and provide additional information and clarification ...	The statement that OIOS had "not engaged in proper dialogue with the auditee" is not true. OIOS sought input from all the 33 Board members and 17 alternates who had attended the Board's 2017 session, 14 members of the Board's committees, as well as the staff pension committees of all the 23 member organizations of the Fund. OIOS shared the detailed terms of reference for the audit with all stakeholders. None of them raised any concerns about the methodology or process. The audit team conducted in-depth interviews with a representative sample of individuals belonging to all the constituent groups in the Fund's governance structure, including 21 Board members and alternates who represented 7 of the Fund's 23 member organizations, and four representatives of the Federation of International Civil Servants' Associations (FAFICS). The exit conference notes, detailed audit results and draft report were also shared with all the stakeholders (Board members/alternates, staff pension committees of all the member organizations, FAFICS representatives, and others). Regarding attendance in person at the Board's session, see OIOS comments on page 1 above. All questions raised during the Board session were fully answered and additional information/clarification was provided.
Page 71, para. 343	*In view of what was seen by the great majority of members as a flawed audit process, which some members considered did not follow accepted practice and the International Standards for the Professional Practice of Internal Auditing or the internal audit charter of the Fund,* ***the Board decided to submit the audit report to the Independent Audit***	The Board's Audit Committee, which met twice during the time period when the audit was ongoing, was appropriately informed about the audit process and the progress made. The Audit Committee's Chair attended the entry and exit conferences, provided the inputs sought in the OIOS questionnaire, and also participated in interviews conducted by the OIOS team. No concerns were raised by the Committee on any real or perceived non-conformance with the standards

	Advisory Committee of the United Nations for consideration …	for internal auditing, although the Committee noted that the timelines for the audit did not allow OIOS to observe a Board session. OIOS did not view this as a limitation because the audit team had undertaken extensive research of documentation (more than 25,000 pages) relating to the Board's meetings over the last 15 years, interviewed 21 Board members/alternates among others, and observed the meetings of the Board's committees that took place during the audit. At the request of the Board's Chair, the Audit Committee had prepared a "road map" (June 2018) to consider/implement the recommendations in the OIOS draft report. In its report to the Board, the Committee had accordingly conveyed its support/agreement for all the five critical recommendations in the OIOS report, as well as most of the other recommendations in the report. The Committee did not express its reservations or disagreement with any of the 13 recommendations in the OIOS report. While OIOS stands ready to provide any explanations or clarifications that may be sought by the Independent Audit Advisory Committee of the General Assembly, it is relevant to note that the Board's own Audit Committee did not indicate any flaws, unprofessionalism or non-conformance with internal auditing standards by OIOS. With regard to the Board's comment concerning OIOS' non-compliance with the "internal audit charter of the Fund", it is well known that the said "charter" has been rendered redundant due to the several developments that have overtaken it during the last 15 years, including changes introduced to the mandate and operations of OIOS through resolutions of the General Assembly and revisions to the International Standards for the Professional Practice of Internal Auditing. Moreover, by its resolution 64/263 of 5 May 2010, the Assembly did not accept the recommendation of the Independent Audit Advisory Committee (A/64/288) concerning the establishment of a "charter" for OIOS.
Page 72, para. 345	*The great majority of Board members expressed serious concern regarding the process by which OIOS had conducted the audit, which many viewed as having been flawed and unprofessional.*	Considering the magnitude of effort involved, OIOS deployed a large team comprising four auditors at the P-4 level and one audit assistant, who were closely supervised by the Chief of Section and senior management of the Internal Audit Division. The auditors who performed the audit had one or more of the top qualifications relevant to the profession (i.e., Certified Internal Auditor, Certified Public Accountant, Certified Information Systems Auditor, Certified Fraud Examiner and Chartered Financial Analyst). They performed their work on the basis of the audit process explained in detailed terms of reference issued on 22 February 2018, which was circulated to all Board members, their alternates, the Audit Committee and the secretaries of the staff pension committees of all 23 Fund member organizations, who were also informed of the audit findings and recommendations at each stage of the process (i.e., the exit conference, detailed audit results and the draft report). OIOS diligently and fully complied with the

		International Professional Practices Framework established by the Institute of Internal Auditors.
	The great majority of members commented that the audit had not been based on fully verified facts and that reasonable professional care had not been taken to obtain sufficient and factual evidence to support the conclusions drawn and recommendations made.	The Board's report provides no evidence of any factual inaccuracies in the report to support the assertion that "the audit had not been based on fully verified facts". The detailed results of the present audit, which were issued for the Board's comments on 1 June 2018, contained 98 footnotes that cited references to the underlying documents on which the factual statements were based. OIOS maintains that the report is based on facts that were verified as thoroughly as possible, and that the conclusions drawn and recommendations made are based on verified facts.
Page 72, para. 347	*It was noted by a number of members that the rules and regulations of the Fund had not been adequately cited or taken into account in the draft report and its recommendations.*	As explained above, the detailed results of the present audit contained 98 footnotes that cited references to the relevant documents, including regulations and rules wherever appropriate. The existing governance structure has been established and institutionalized through the regulations and rules of the Fund. Any recommendations to modify the governance structure must therefore look beyond the existing regulations and rules, rather than be constrained by them, because no change to the existing governance arrangements would be possible without changing the existing regulations and rules. Therefore, the relevance of the Fund's existing regulations and rules would be limited in an audit such as the present audit.
	In addition, the view was expressed that the draft report did not follow the International Standards for the Professional Practice of Internal Auditing, in particular standard 1220.A1, which requires internal auditors to exercise due professional care by considering the extent of work required to achieve the audit objective, given that OIOS did not observe the session of the Board, which is its central act of governance.	The audit team's research involved detailed review of more than 25,000 pages of documentation pertaining to the last 15 years (and beyond, for certain issues) to study the evolution of the Board's governance structure and related processes. The audit team sought written input from 33 Board members, 17 alternates, 14 members of the Board's committees, and the secretaries of all 23 staff pension committees through detailed questionnaires covering the areas pertaining to the Board's governance. The audit team conducted in-depth interviews with a representative sample of individuals belonging to all constituent groups. The sample comprised 21 Board members and alternates, who represented 7 of the Fund's 23 member organizations, along with four representatives of FAFICS, in addition to at least 15 senior managers and staff members of the Fund. The audit team also observed the meetings of the Assets and Liabilities Monitoring Committee, the Audit Committee and the United Nations Staff Pension Committee to understand the work of those committees in the context of the Fund's governance.

		Pursuant to General Assembly resolution 72/262 A, OIOS is required to submit the present report to the Assembly at its seventy-third session, to be considered in the context of the Fund. To that end, the Department for General Assembly and Conference Management provided a slot date of 22 August 2018 for submitting the report to the Department for publication. Those timelines made it impossible for OIOS to observe the Board's session (which was held from 27 July to 3 August 2018) during the audit fieldwork phase, which had to conclude by the end of May 2018 to allow time for drafting the detailed audit results and the draft report for the Board's comments. Nevertheless, the combination of extensive document review, detailed questionnaires, in-depth interviews and the in-person observation of committee meetings, as explained above, along with the experience gained from OIOS participation in the Board's meetings over the past several years, were adequate to conclude the audit fieldwork with due professional care and to achieve the audit objectives. OIOS therefore reiterates that the audit was conducted in accordance with the International Professional Practices Framework established by the Institute of Internal Auditors and reaffirms the validity and relevance of the audit's findings and recommendations.
	It was also observed that OIOS had largely failed to reflect the comments and views of all the member constituencies and organizations of the Board.	This statement is not true. Although the Chair of the sixty-fourth session did not provide any comments on the audit findings and recommendations on the Board's behalf or in her own capacity at any stage of the audit process, OIOS received comments from FAFICS, the representatives of the United Nations participants, and the staff pension committee of one specialized agency, which were fully taken into account before the draft report was submitted on 17 July 2018 for consideration by the Board at its sixty-fifth session. Since it was impossible to meaningfully reflect the opposing and conflicting views received on the audit findings and recommendations, OIOS relied on the Board, to whom all recommendations were addressed, to provide its comments on the draft report. The Board provided its response on 14 August 2018, which is fully reflected in the OIOS report.
Page 72, para. 349	*A number of Board members observed that the audit had been conducted in a very short time frame that was not commensurate with the importance of the various governance issues it was examining.*	This statement is not true. The audit commenced on 17 January 2018 and the draft report was issued for the Board's consideration on 17 July 2018. The timeframe for completing the audit was set in accordance with Assembly resolution 72/262 and the deadline for submission of the report to the Department for General Assembly and Conference Management for publishing. OIOS is satisfied that the available time of six months was sufficient to examine all relevant governance issues in sufficient depth.
	They underscored that they had been given a very limited	OIOS submitted a summary of the audit findings and recommendations to the

	amount of time for thorough consideration of the draft report's far- reaching recommendations.	Chair of the Board's sixty-fourth session on 21 May 2018 for discussion at the exit conference, which was held on 25 May 2018. The Chair circulated the document to all parties concerned (i.e., the Board members and alternates, the secretaries of all staff pension committees and FAFICS representatives). OIOS then formally issued the detailed results of the audit to the Chair on 1 June 2018, who circulated the document to all parties concerned. OIOS then issued the draft report to the Chair of the Board's sixty-fourth session on 17 July 2018, who circulated it to those same individuals. Therefore, between May and July 2018, the Board members and others were given adequate time and opportunity to consider the audit findings and recommendations and to provide comments thereon.
Page 75, para. 354	*The Deputy Chief Executive Officer informed the Board that the secretariat of the Fund had factual clarifications to the audit report ...*	Despite being requested several times throughout the audit process (i.e., the exit conference, detailed audit results, and draft report), the Deputy Chief Executive Officer did not provide any comments – verbally or in writing – as to any "factual clarifications" to the OIOS report.
	Comments of the Staff Pension Committee of UNIDO[2]	***OIOS remarks***
Page 248, para. 2, first bullet	*… It is inappropriate that (a) the audit was conducted by the oversight office of just one of the participating organizations;*	OIOS considers that it was appropriate for the Office to conduct this audit, which was requested by the General Assembly in its resolution 72/262. The Board is a subsidiary organ of the General Assembly, established by the Assembly in terms of Article 22 of the Charter of the United Nations. In its resolution 71/265 of 18 January 2017, the Assembly emphasized that OIOS remains the sole internal oversight body of the Fund. The United Nations remains the lead and host organization of the Fund and the General Assembly is the supreme governing body of the United Nations.
	(b) prior to the audit, the 22 remaining organizations were neither consulted if an audit should take place, nor were the terms of reference shared with the various staff pension committees; and	In view of the mandate and authority cited above, there was no question of OIOS consulting the remaining 22 member organizations as to whether the audit should take place. The statement that the terms of reference for the audit were not shared with the respective staff pension committees is not correct. The terms of reference were shared with all staff pension committees, including UNIDO, who were also informed of the audit findings and recommendations at each stage of the process (i.e., the exit conference, detailed audit results, and draft report).
	(c) the 22 other organizations were not asked to participate in the fact-finding exercise.	This statement is not correct. The audit team sought written inputs from all the 23 member organizations through detailed questionnaires covering the various areas pertaining to the Board's governance. The audit team also conducted in-

[2] United Nations Industrial Development Organization

		depth interviews with a representative sample of individuals belonging to all the constituent groups comprising 21 Board members/alternates representing seven out of the Fund's 23 member organizations and four representatives of FAFICS. In accordance with the process agreed at the beginning of the audit with the Board's Chair, OIOS submitted the audit findings and recommendations to the Chair at each stage of the audit, and the Chair circulated them to all concerned (i.e., Board members, alternates, secretaries of staff pension committees of all the 23 member organizations, and FAFICS representatives). Comments received from member organizations and others were duly considered during the reporting phase.
Page 248, para. 2, second bullet	*The [UNIDO Staff Pension] Committee has serious doubts about the correctness of the underlying data.*	The participant data used by OIOS was obtained from the Fund's financial statements which were audited by the Board of Auditors and routinely presented to the Board every year. The same data shows that the number of participants from UNIDO has dropped sharply from 1,727 in 1988 to only 669 in 2016 but UNIDO continues to hold on to its seat on the Board, even though there are member organizations with a larger number of participants (International Organization for Migration and International Criminal Court) that have no Board seat.
	The number of United Nations participants appeared too high, as they seemed to include peacekeeping staff, many of which might never be eligible for a pension benefit due to limited years of service.	The rights of the Fund's participants do not vary depending upon whether they are peacekeeping or non-peacekeeping staff. No participant of the Fund from any of its 23 member organizations is guaranteed a pension upon entry into service. Those who put in the qualifying service and opt to receive a pension become eligible, subject to the Fund's regulations and rules. Staff who do not qualify for a pension and opt for a withdrawal settlement receive their own contributions with the applicable interest; the employer's contribution (which is twice the staff member's contribution) stays with the Fund. In the case of peacekeeping staff who do not receive a pension, the Fund stands to gain substantially in this process. OIOS is of the view that there are no grounds to discriminate against peacekeeping staff and deny them their due status as Fund participants on the premise that they may not receive a pension.
Page 248, para. 2, third bullet	*Even if the United Nations has more active participants in the Fund than any other member organization, the proposal to increase the number of seats in the Board to almost two-thirds of the members contradicts the basic principles of democracy …*	OIOS has not proposed that seats on the Board must be increased to "almost two-thirds" for the United Nations. OIOS has recommended that the Board should submit proposals to the General Assembly based on the principles indicated in the Assembly's resolution 57/286. The Board's report of 2002 to the General Assembly (A/57/9, paras. 205 to 220) indicates that the number of participants is the key factor in determining the composition of the Board.

	… The [UNIDO Staff Pension] Committee agreed with the General Assembly, which found in 2004 that the Fund is a joint venture of organizations, not participants and individuals. Specialized agencies contribute to the Fund just as the United Nations does, and in order to ensure that their interests are adequately represented, each member organization should have at least one seat.	The statement that the General Assembly “found in 2004 that the Fund is a joint venture of organizations, not participants and individuals” is not true. The Board’s report A/57/9 did not advance the theory that the Fund is a “joint venture of organizations”. As explained above, the Board’s report recognized that the key factor in considering the size and composition of the Board is the number or participants from each member organization. This is why the Board had recommended to increase the representation of the United Nations by adding three more seats on a 36-member Board, thereby increasing the United Nations’ share of the Board seats from 36.4 per cent to 41.7 per cent while its share of the Fund’s participants was 68.6 per cent as of 31 December 2001. Even if one were to assume that the Fund is a joint venture of organizations, parties to a joint venture would have varying degrees of control depending on their contribution (investment) in the venture. The smaller participants in a joint venture cannot expect to have the same extent of control as the largest participant.
Page 248, para. 2, fourth bullet	*Further, in order to maintain the balance of power, the separation between the Investment Management Division and the Fund should be maintained.*	OIOS has not suggested that the existing separation between the Investment Management Division (which has been subsequently renamed as Office of Investment Management at the suggestion of OIOS) and the Fund secretariat should be altered.
Page 248, para. 3	*Given that the audit’s mandate, methodology and recommendations, which are obviously in favour of the United Nations, appear more than questionable, the [UNIDO Staff Pension] Committee rejected the report as a whole …*	OIOS derives its mandate as the sole oversight body of the Fund from General Assembly resolution 48/218 B of 29 July 1994, as emphasized in the Assembly’s resolution 71/265 of 18 January 2017. The present audit was conducted at the request of the Assembly (resolution 72/262 of 16 January 2018). The methodology was explained in the detailed terms of reference for the audit, which was circulated to all stakeholders of the Fund. The audit report and recommendations were reviewed by the Board’s Audit Committee at the request of the Board’s Chair, and the Committee found nothing questionable; on the contrary, the Committee supported all the critical recommendations in the OIOS report and expressed no reservations or concerns on any of the report’s 13 recommendations. The argument that any changes to the composition of the Board would be “in favour of the United Nations” is not new. Even on the previous occasion (2002) when the Board had decided to recommend (A/57/9, paras. 205 to 220) the addition of three more seats on the Board for the United Nations, “considerable opposition and reservations” were expressed by specialized agencies including UNIDO. Even though the number of Fund participants from UNIDO has dropped sharply from 1,727 in 1988 to only 669 in 2016, UNIDO continues to hold on to its seat on the Board, whereas member organizations with a larger number of participants

		(International Organization for Migration and International Criminal Court) have no Board seat. A review of the Board's composition, as recommended by OIOS, would likely result in UNIDO having to relinquish its Board seat to other member organizations who have a much larger number of participants. This could be the reason why the UNIDO Staff Pension Committee "rejected the [OIOS] report as a whole".
	Comments of the Staff Pension Committee of WMO[3]	***OIOS remarks***
Page 249, item (b)	*The [WMO Staff Pension] Committee suggested that the [OIOS] report be submitted to the Audit Committee of the Board for review and comments to the Board; …*	On 18 June 2018, the Board's Chair had written to the Chair of the Audit Committee (with copy to all Board members, alternates and staff pension committees) asking the Audit Committee to review the draft OIOS report and provide its comments to the Board. The Committee had accordingly conveyed to the Board its support/agreement for all the five critical recommendations in the OIOS report, as well as most of the other recommendations in the report. The Committee did not express its reservations or disagreement with any of the 13 recommendations in the OIOS report.
Page 249, item (d)	*The [WMO Staff Pension] Committee suggested that the Board neither accept nor decline nor comment on the recommendations contained in the above-mentioned [OIOS] report prior to the conclusion of the proposed external audit; …*	The approach suggested would amount to non-cooperation with an audit mandated by the General Assembly which is the supreme legislative body of the United Nations. Requesting the external auditors to re-perform the same audit is contrary to the principle that the internal and external auditors should avoid duplication and increase the complementarity of each other's work.
Page 249, item (e)	*The [WMO Staff Pension] Committee suggested that the Board recommend that OIOS postpone the submission of its report to the General Assembly until 2019 to enable the Board to review and appropriately comment on the recommendations.*	The time table for submitting the OIOS report to the General Assembly was determined by the Assembly in its resolution 72/262. Postponing the submission of the report to 2019 was not an option, and this was well known to the Board and the member organizations as early as January 2018. Between 21 May (date of the exit conference) and 27 July 2018 (start of the Board's session), Board members and others were given adequate time and opportunity to consider the audit findings and recommendations and provide comments thereon.
Page 249, first para. below item (e)	*The [WMO Staff Pension] Committee stressed that the current composition [of the Board] was not only in line with article 5 of the Regulations of the Pension Fund, but also with the overall principle of equal representation of all members of the Fund ...*	This statement is incorrect because in the current setting, the Board is composed of members from only 13 member organizations out of 23. Moreover, Article 5 of the UNJSPF Regulations and Rules does not provide for equal representation of member organizations.

[3] World Meteorological Organization

	Comments of the Staff Pension Committee of ILO[4]	*OIOS remarks*
Page 249, para. C.2	*… the [ILO Staff Pension] Committee expressed its regret that, despite the fund being a multi-institutional entity, other participating organizations other than the United Nations itself were neither consulted on the terms of reference of the audit nor involved during the audit exercise.*	This statement is not true. Three Board members/alternates who represented ILO at the 2017 Board session received the questionnaire that OIOS had sent to all Board members/alternates. Additionally, the staff pension committee secretariat of ILO received the questionnaire that OIOS had sent to all staff pension committees. No member organization was excluded from the audit exercise.
Page 250, para. 3	*… Compared with the 2008 audit report, the [ILO Staff Pension] Committee found that the draft audit report:*	
	• *Did not include all aspects of the Fund's governance structure, and thus had a limited scope and partial representation …*	The OIOS report covers all entities within the Board's governance structure except the General Assembly and the Assembly's committees. This is because OIOS has no authority to audit the Assembly. The audit is comprehensive, not limited or partial as stated.
	• *Presented observations and findings that were geared towards an opposite assessment of the effectiveness of governance than that reported in 2008 …*	The previous audit was conducted more than 10 years ago and many changes have occurred in the governance structure since then. Each audit is independent and it is unrealistic to expect that the 2018 audit would repeat the conclusions of the previous audit conducted in 2008.
	• *Did not give full regard to the potential budgetary and operational implications to the Fund and all of its participating organizations, participants and beneficiaries …*	Assessment of "potential budgetary and operational implications to the Fund" was outside the scope of this audit. Moreover, such assessments are the responsibility of the Board and the Fund's management. The restructuring should lead to reclassification of some posts which would yield some savings. As stated in the report, OIOS is of the view that any additional costs arising from changes in the governance structure would be outweighed by the benefits.
Page 250, para. 5, second bullet	*… The [ILO Staff Pension] Committee agreed that there should be fair and equitable representation on the Board. However, it strongly objected the recommendation to do so based on the distribution of active participants in the Fund. In particular, it expressed the belief that the increase in the number of active participants of the United Nations presented in the audit report was questionable and misleading.*	On the previous occasion (2002) when the Board recommended an increase in Board seats for the United Nations, the key factor for such increase was the increase in the number of United Nations participants in the Fund (see A/53/9). The percentage of United Nations participants has only further increased since then. The participant data used by OIOS was obtained from the Fund's financial statements that were audited by the Board of Auditors and reported to the Board annually.

[4] International Labour Organization

For example, the increase of number of United Nations participants might be due in part to peacekeeping mission staff, who would not be expected to participate in the Fund on a long-term basis, having a relatively short duration of employment and withdrawing their lump sum at the end of their contract, which in turn would push up administrative costs.	The rights of the Fund's participants do not vary depending upon whether they are peacekeeping or non-peacekeeping staff. No participant of the Fund from any of its 23 member organizations is guaranteed a pension upon entry into service. Those who put in the qualifying service and opt to receive a pension become eligible, subject to the Fund's regulations and rules. Staff who do not qualify for a pension and opt for a withdrawal settlement receive their own contributions with the applicable interest; the employer's contribution (which is twice the staff member's contribution) stays with the Fund. In the case of peacekeeping staff who do not receive a pension, the Fund stands to gain substantially in this process. OIOS is of the view that there are no grounds to discriminate against peacekeeping staff and deny them their due status as Fund participants on the premise that they may not receive a pension. The notion that the "relatively short duration and lump sum withdrawal … pushes up the administration costs" is incorrect because the employer's contribution remains with the Fund.
Furthermore, as the Board has previously confirmed, the Fund is a joint venture of organizations, and not only participants or individuals.	The Board's status is defined in the relevant regulations of the Fund and the resolutions of the General Assembly. The Assembly has not affirmed the notion that the Fund is a "joint venture of organizations". Even if one were to assume that the Fund is a joint venture of organizations, parties to a joint venture would have varying degrees of control depending on their contribution (investment) in the venture. The smaller participants in a joint venture cannot expect to have the same degree of rights as the largest participant.
Distributing the seats based on the number of active participants only, and the implied result of more seats for the United Nations, would greatly disturb the level of equitable representation on the Board and weaken the Board's governance and accountability rather than strengthening it.	Organizations with a larger participant group bear a greater financial burden when the Fund experiences funding deficiency due to poor administration or investment performance. It will not be fair or equitable if this principle is not respected when granting them their say in the Fund's governance. As pointed out in OIOS report, the current composition of the Board does not reflect fair representation of each participant group and the respective member organization. This is demonstrated by the fact that one seat for the United Nations on the Board represents 7,259 participants whereas the International Maritime Organization's member on the Board represents only 284 participants. The unequitable representation on the Board has denied a Board seat to International Organization for Migration which has 4,624 participants. All member organizations cannot expect to be on the Board on a permanent basis if due regard is given to equitable representation based on the number of participants. Smaller member organizations should be given their chance to sit on the Board on a rotational basis for a specific term period. Governance and accountability is strengthened, not weakened, by having equitable representation on the Board based on the relative stake of the Fund's members.

Page 251, second bullet	*… First of all, the [ILO Staff Pension] Committee is of the opinion that the proposed direct election of retiree representatives is not feasible given that the retirees reside in all parts of the world and do not necessarily have access to the technological means to ensure a satisfactory participation rate ...*	OIOS disagrees with the statement that direct election of beneficiary representatives is not feasible due to lack of the technological means to enable them to elect their representatives. Similar organizations with a world-wide reach (such as the United Nations Federal Credit Union) have been holding such elections for years. The Fund has the technological means to reach beneficiaries worldwide; also, as explained in the OIOS report, FAFICS has been disseminating its communications through the Fund's email system to all beneficiaries including those who are not its members. Moreover, the Fund and its beneficiaries have the necessary means to communicate with each other in connection with the annual 'certificate of entitlements' exercise to demonstrate their continued eligibility for receiving benefits. OIOS is of the view that the notion that a "satisfactory participation rate" may not be achieved in direct elections is not substantiated by any research or survey of beneficiaries' aspirations, taking into consideration the technological advances that have occurred since the time that the Board made the existing arrangement with FAFICS to represent the Fund's beneficiaries. Furthermore, the prime consideration in a democratic set up is to provide voting rights to every individual who is part of a large group, regardless of the percentage of votes that may be cast. This practice is already occurring with regard to the election of representatives of the Fund's participants and must be extended to the beneficiary population as well. Para. 355 (d) of the Board's report A/73/9 states that the Board has referred to its working group the possible "establishment of an independent election commission for election of representatives of participants to staff pension committees", even though member organizations with the largest number of participants already have a mechanism to elect their representatives. OIOS is of the view that this working group should be tasked with proposing ways to operationalize an arrangement for beneficiaries to elect their representatives to the Board as Board members with the right to vote.
	Secondly, the Committee noted that retiree representatives currently had the same rights as members, except the right to vote, and it was of the view that this was sufficient. The Committee's consideration of practices in similar pension funds confirmed this position.	As explained in the OIOS report, FAFICS represents only 25 per cent of the beneficiaries of the Fund. Direct election will ensure that the entire beneficiary population is given the right to elect their representatives on the Board, which is not occurring under the existing arrangement which allows FAFICS to participate in the Board's meetings and its decision-making as non-members of the Board but with equal rights as Board members (except the right to vote). Many large public pension funds have institutionalized the practice of postal or electronic ballot.
Page 251, fourth bullet	*The [ILO Staff Pension] Committee expressed the view that the Assets and Liabilities Monitoring Committee had played an important in facilitating the interaction between the Investment Committee and the Committee of Actuaries. It*	Improving the interaction between the two committees and between the Chief Executive Officer and the Representative of the Secretary-General for investments of the Fund was not among the justifications given by the Working Group on Sustainability and the Board to create the Assets and Liabilities Monitoring

	had also facilitated communications between the Fund's Chief Executive Officer and the Representative of the Secretary-General for the investment of the assets of the Fund during the time that such interaction was considered to be of concern. The Committee agreed that the Assets and Liabilities Monitoring Committee should not be a permanent body, but suggested that it continue to exist until the Board was satisfied with the reinforced interaction between the two sides. The Committee recommended that this recommendation be deferred for future consideration by the Board.	Committee. The Board's extensive review of investment matters and interaction with the Representative of the Secretary-General for investments of the Fund (more than 20 pages in its 2016 report) contradicts the statement that the Board relies on the Committee to understand the complexities of the related matters. Also, throughout the history of the Fund, the Board had been reviewing actuarial matters with the Committee of Actuaries and the Consulting Actuary without an Assets and Liabilities Monitoring Committee. The current Assets and Liabilities Monitoring Committee has to rely on those experts on investments and liabilities to carry out its own work.
Page 251, last bullet	*While recognizing that the segregation of duties was an important element of control and governance, the Committee highlighted the potential budgetary and operational implications of the proposed measures, including the establishment of a separate secretariat … Such structures would not only require substantial funding, but would also create the potential for duplication of work. At a time when all organizations are looking for cost efficiency, any additional funding requirements should not become the responsibility of member organizations.*	OIOS acknowledges the need to minimize costs. Some of the changes in the organizational structure as a consequence of separation of the two roles could reduce some costs. For instance, the need for a Chief Executive Officer at the level of Assistant Secretary-General would be questionable after the separation because the justification in the Board's report A/53/9 for upgrading the post from D-2 to the level of Assistant Secretary-General, and changing the upgraded post's title from "Secretary of the Board" to "Chief Executive Officer", was that the incumbent carried two sets of responsibilities as Chief Executive Officer of the Fund and the Secretary of the Board. The current management structure and staffing table of the Fund's Secretariat would need to be reassessed and the posts reclassified, as necessary. OIOS is of the view that the costs arising from any additional resources would be outweighed by the benefits.
	Comments of the Staff Pension Committee of ITU[5]	***OIOS remarks***
Page 252, para. D.2	*The [ITU Staff Pension] Committee recalled that the Fund is a joint venture of organizations and noted with regret that not all organizations were involved in nor consulted during the audit.*	The statement that "the Fund is a joint venture of organizations" is not accurate, as previously explained above (see OIOS remarks against similar comments made by the Staff Pension Committee of UNIDO).
	Of the 23 organizations that participate in the Fund, 22 were unfortunately excluded from this exercise.	This statement is not true. The Board member and two alternates who represented ITU at the 2017 Board session received the questionnaire that OIOS had sent to all Board members/alternates. Additionally, the staff pension committee secretariat of ITU received the questionnaire that OIOS had sent to all staff pension committees. No member organization was excluded from the audit exercise.

[5] International Telecommunication Union

Page 252, para. D.3	*… the Committee expressed serious concerns related to the repartition of seats on the Board. The proposal to increase the number of United Nations Board seats was contradictory to the democratic principle "one organization, one vote." The representation of all member organizations of the Fund was essential to its effective functioning.*	Ownership of the Fund's assets resides with participants at present (i.e., staff members) and in the past (i.e., retirees) as well as the respective member organizations that are guarantors of the defined benefit plan. All of these make contributions to the Fund and their stake in the Fund administration should be recognized accordingly. The "one organization, one vote" does not consider the size of participant groups in member organizations and the corresponding financial interest/obligation of participants and member organizations in the Fund.
Page 252, para. D.4	*For each participant of the Fund, the organization takes on a budgetary obligation towards the Fund and on behalf of the staff member; it is therefore unacceptable that an organization not have the right to partake in the decision-making process on matters that could eventually affect it. All member organizations should have their interests represented through the Board.*	Organizations with a larger participant group bear a greater financial burden when the Fund experiences funding deficiency due to poor administration or investment performance. It will not be fair or equitable if this principle is not respected when granting them their say in the Fund's governance. As pointed out in OIOS report, the current composition of the Board does not reflect fair representation of each participant group and the respective member organization. This is demonstrated by the fact that one seat for the United Nations on the Board represents 7,259 participants whereas the International Maritime Organization's member on the Board represents only 284 participants. The unequitable representation on the Board has denied a Board seat to International Organization for Migration which has 4,624 participants. All member organizations cannot expect to be on the Board on a permanent basis if due regard is given to equitable representation based on the number of participants. Smaller member organizations should be given their chance to sit on the Board on a rotational basis for a specific term period.
	Comments of the Staff Pension Committee of ICAO[6]	***OIOS remarks***
Page 252, last para.	*The [ICAO Staff Pension] Committee was concerned that a substantial number of recommendations were in relation to the composition, functions and, to an extent, the performance of Board, yet no mention was made of any dialogue with members of the Board.*	There was continuous dialogue with the Board throughout the audit process. The terms of reference, exit conference notes, detailed audit results and the draft report were shared with all Board members, their alternates, and the staff pension committees of all the 23 member organizations. During the audit fieldwork, there was extensive consultation with all Board members and their alternates who received detailed questionnaires seeking their input; additionally, the audit team interviewed 21 members/alternates of the Board and its committees.
Page 253, first para.	*Secondly, the Committee had a major issue with the recommendation suggesting that the membership of Board be determined on the basis of active participants. This, in the view of the Committee, would result in a lopsided representation on the Board, where the larger organizations*	The principle of "fair and equitable representation of member organizations" implies that larger organizations with more participants will have more seats on the Board than the smaller ones because they contribute a larger share to the Fund and would bear a greater financial burden when the Fund experiences funding deficiency. It would not be fair or equitable if the varying degrees of obligations

[6] International Civil Aviation Organization

	with more participants would have more seats than the smaller ones ...	of member organizations are not considered in granting them appropriate stake in the Fund's administration. As indicated in the OIOS report, the current composition of the Board does not reflect fair and equitable representation considering that one seat of the United Nations on the Board represents 7,259 participants whereas ICAO with two Board seats for its 798 participants has a representation ratio of one Board member for only 399 participants. At the same time, a member organization like International Organization for Migration does not have any seat on the Board despite having 4,624 participants.
	What should be looked at is a methodology that would allow all organizations to have equal participation at the level of the Board. At the level of the General Assembly, population size does not allow a State to have more votes, nor would the assessment level be used to determine the number of votes a State must have …	The Board is a subsidiary organ of the General Assembly. Such boards do not have representation from all member states or member organizations. For example, only three members of the General Assembly are on the Board of Auditors at any given point of time. The Trade and Development Board has only 55 members elected from its total membership. The Advisory Board on Disarmament Matters has 15 members chosen by the Secretary-General. Therefore, it is erroneous to compare the Pension Board with the General Assembly.
Page 253, second para.	*The [ICAO Staff Pension] Committee highlighted, for information, the independence of ICAO as a specialized agency of the United Nations. Article XII, paragraph 2 (b), of the agreement between the United Nations and ICAO … provides the basis for the independence of ICAO in such matters [as employment of staff, conditions of service …, pension rights ...]; even the United Nations may not unilaterally impose any such requirements on ICAO.*	ICAO's participation in the Fund is subject to the Fund's regulations and rules, which may be amended by the General Assembly from time to time as the Assembly deems appropriate. The issue concerning the independence of ICAO is not relevant in this context.
	Comments of the Staff Pension Committee of WHO[7]	***OIOS remarks***
Page 253, Section F, second para.	*The WHO Staff Pension Committee:* • *Noted that some recommendations had already been made in the prior OIOS audit, in 2006*	 The General Assembly asked OIOS to conduct a comprehensive audit of the Board's governance structure. OIOS has accordingly presented all the issues relevant to the audit subject. Results of the 2006 audit were not presented to the Assembly at that time; moreover, they have been overtaken by subsequent developments.

[7] World Health Organization

	• *Was concerned about the tone and numerous personal references made in the report*	Tone is a matter of perception. There are no "personal references" in the report. All references relate to the concerned individuals' performance of their official duties within the governance structure and related processes of the Fund.
	Comments of the Staff Pension Committee of IFAD[8]	***OIOS remarks***
Page 254, para. G (a)	*The Fund … constitutes a "joint organization" of member organizations, and therefore, as has already been emphasized by the Board … [in 2004], it should be truly representative of the membership of the Fund, being a joint venture of organizations and not of participants or individuals.*	The statement that "the Fund is a joint venture of organizations" is not accurate, as previously explained above (see OIOS remarks against similar comments made by the Staff Pension Committee of UNIDO).
Page 255, para. G (d)	*Any member organization should have its interests represented through a Board member and the relevant organization's staff pension committee; moreover, and for pragmatic purposes, the exclusion of any member organization might cut the Board off from governance talent which may reside in that organization.*	The issue here is not so much the lack of talent but the larger question of fair and equitable representation of member organizations on the Board. Apart from IFAD, there are 22 other member organizations in the Fund who can contribute to the talent pool, subject to fair and equitable representation.
Page 255, para G (e)	*The [IFAD Staff Pension] Committee was of the view that, given that: (i) the audit was conducted by OIOS, the internal oversight office of just one of the member organizations; (ii) other member organizations and their relevant staff pension committees were neither previously consulted on whether and how an audit should have been conducted nor on its scope and terms of reference; and (iii) other member organizations were not asked to participate in the fact-finding exercise, it had serious concerns about the validity of the report and its recommendations.*	These comments are identical to the ones made by the Staff Pension Committee of UNIDO (see page 6 above, which also indicates OIOS remarks against each comment).
	Comments of the Staff Pension Committee of FAO/WFP[9]	***OIOS remarks***
Page 256	*The FAO/WFP Staff Pension Committee considered that it would be difficult to impose desirable competencies and minimum requirements, as this would limit freedom of participation. Moreover, it believed that inclusion in the Board of individuals with different skills was desirable and*	Board members are expected to represent the interest of their respective constituents in discussion and decision-making on various matters. Good governance practices require that the selection process is clear and transparent to assure that the selected members possess the necessary minimum competencies/skills. By establishing the terms of reference for Board members

[8] International Fund for Agricultural Development
[9] Food and Agriculture Organization/World Food Programme

	should not be prevented through the establishment of rigid competency and qualification requirements. The duties and responsibilities of Board Members had not been so clear, therefore detailed terms of reference would facilitate their role ...	(including the minimum requirements as to competencies and skills) as a reference point, the respective constituents would be able to make more informed choices concerning their representatives on the Board. Individuals' interest in becoming Board members should be balanced against their constituents' interests and the latter's confidence in placing such individuals on the Board to make far-reaching decisions on their behalf.
Page 256	*(a) While the number of FAO/WFP seats remained unchanged with the new proposal, the Committee expressed its concern that additional seats granted to the United Nations Staff Pension Committee would result in its having the greatest control over the Board. The matter had been addressed several times throughout the years, and the conclusion had always been that the current composition of the Board guaranteed the participation of all member organizations and that adding more seats would result in a less effective Board;*	If the United Nations has the largest number of participants in the Fund, the principle of fair and equitable representation implies that they will also have an appropriately larger share of the Board's seats. OIOS is of the view that the Board's current composition, and the Board's decision that no member organization will lose its Board seat even if its participants decrease significantly over time, is contrary to the spirit of fair and equitable representation. Changes to the Board's composition can take place without adding more seats. A smaller Board may be more cohesive and thereby increase its effectiveness.
Page 257	*(a) The purpose of the Standing Committee is to serve as an "appeals body" that reviews decisions of the Secretary of the Board and of staff pension committees arising out of the application of the Regulations, Administrative Rules and Pension Adjustment System ...*	The Board established the Standing Committee not just as an appeals body but "to act on its behalf when the Board is not in session." The Fund's rules of procedure state that the Committee "shall decide individual cases referred to it, exercise general control on the Fund's operations, and may initiate pre-purgatory work on any policy questions to enable their effective consideration by the Board." Also, the Committee is authorized to amend the Fund's administrative rules on behalf of the Board. The Standing Committee, given its legal status to act on behalf of the Board, should be tasked to carry out its functions in accordance with regulations and rules when the Board is not in session.
	… An increase in the frequency of meetings [of the Standing Committee] would not seem to be justified;	As explained in the OIOS report, the Board meets once a year for five or seven days. There is no effective governance mechanism to exercise Board oversight over the Fund's operations during the remainder of the year. Although the Board's other committees meet a number of times during the year, the results of their work are reported to the Board only on an annual basis during the Board's annual sessions. This vacuum in the governance arrangement justifies the need for the Standing Committee to play its due role, which is "to act on behalf of the Board when the Board is not in session". Currently the Standing Committee meets only once a year, that too during the Board's annual session.
Page 257	*(b) The [FAO/WFP Staff Pension] Committee found that the recommended course of action would empower the Standing*	Oversight must not be confused with micromanagement. Additionally, important actions such as search for the Chief Executive Officer/Deputy Chief Executive

	Committee to micromanage the Fund's operations, which is not desirable;	Officer and evaluating the Chief Executive Officer's performance should be performed by the Standing Committee and not by ad hoc groups.
	(c) This would cause the Standing Committee to impose itself over other committees and the Board secretariat rather than service as an appeals instance, which is specified in section K of the Administrative Rules.	Clear terms of reference for each of the Board's committees would prevent the Standing Committee from "imposing itself" on other committees and the Board's Secretariat.
Page 259	*Review of the performance of the Fund and analysis of risk is complementary to the work of the Committee of Actuaries and the Investments Committee. There was no clear and strong explanation for the need to implement this proposal. It was not explained why the Committee of Actuaries and the Investments Committee would do a better job in safeguarding the Fund's long-term solvency on their own. As a general rule, the [FAO/WFP Staff Pension] Committee would advise against concentrating the role and responsibilities of the different committees.*	The Committee of Actuaries and the Investments Committee have been integral components of the bifurcated governance structure of the Fund since its inception. The Chief Executive Officer administers pension benefits under the authority of the Board and consults with the Committee of Actuaries (which receives input from the Consulting Actuary) on the financial health of the Fund. At the same time, the RSG administers the Fund's assets under the authority of the Secretary-General and consults with the Investment Committee whose members are appointed by the General Assembly. Both committees comprise expert members and have a clear mandate which is recognized by the General Assembly. The Assets and Liabilities Monitoring Committee duplicates the work of these committees. Before the Assets and Liabilities Monitoring Committee was eventually established, even the Board had acknowledged that a "permanent" Assets and Liabilities Monitoring Committee was not justified. OIOS is of the view that the Board can constitute working groups as necessary to monitor the Fund's assets and liabilities situation. Without presumption of outcome, the Board needs to review the Committee's performance, as required by the committee's terms of reference, to determine its effectiveness. This review, which was supposed to be conducted in 2016, is overdue.
Page 259	*(a) The [FAO/WFP Staff Pension] Committee maintained that separating the roles of the Board's Secretary and the Fund's Chief Executive Officer would be counterproductive as the jobs are interconnected;*	Separating the roles of the Board's Secretary and the Fund's Chief Executive Officer is of critical importance to prevent role conflicts, provide for the required checks and balances, and promote accountability of the Fund's management to the Board. Rather than being counterproductive, separation of the two roles would promote good governance and accountability.
	(b) The Committee was of the view that establishing the Board's own secretariat, that is independent from the Fund's management, would add an unnecessary additional layer in the management of the Fund and disempower the Chief Executive Officer;	This statement is not true. There will be no "additional layer" from the proposed separation of roles because the independent Chief Executive Officer and the independent Secretary of the Board would both report to the Board and be accountable to the Board. It is quite normal that restructuring in an organization may entail reconfiguration of roles (and possible reclassification of posts) in accordance with the demands of the new structure. For instance, with the separation of the roles of the Board's Secretary and the Chief Executive Officer,

		there may be inadequate justification for the post of Chief Executive Officer to remain at the level of Assistant Secretary-General. Reconfiguring of posts must not be misconstrued as disempowerment because in any organization, the authority vested in an incumbent must be commensurate with the responsibility attached to the post.
Page 260	*The [FAO/WFP Staff Pension] Committee was of the view that, based on situations that arose, the Chief Executive Officer should not be restricted from making operational decisions in the area of human resources. The Committee was of the view that the Chief Executive Officer should be able to establish temporary jobs in order to meet operational needs, under his or her authority and under the approved budget of the Board. Additional rules should not be created, as, de facto, the Board already approved the Budget.*	The Chief Executive Officer does not have unlimited authority in human resources matters; the applicable regulations and rules must be complied with. The budget (including posts) is approved by the General Assembly (not the Board) after considering the advice of the Advisory Committee on Administrative and Budgetary Questions. The Chief Executive Officer's authority is subject to the decisions made by the legislature. No additional rules are needed; the Chief Executive Officer can only make decisions within his/her authority and must be held accountable for implementing legislative decisions.
	Comments of FAFICS	***OIOS remarks***
Page 263	*… OIOS offers no evidence that the groups need more guidance in selecting their representatives.*	As explained in the paragraph 5 of the OIOS report, good governance practices suggest that boards and their committees should have clear terms of reference that define their roles and responsibilities, desirable competencies and performance expectations. Such requirements would help the Board set the standards for its members and strengthen their accountability to the respective constituents.
	As for standard terms of office, the present arrangements provide each group sufficient flexibility to meet their needs in balancing participation in the long and short term. Indeed, while a standard term may suit one group, it would be unnecessarily rigid for another.	OIOS has not proposed the same terms of office for all groups.
Page 264	*The detailed audit results contain a number of material inaccuracies that seriously undercut recommendation 3. Regarding the representation of beneficiaries, the description by OIOS of FAFICS governance is incorrect and materially incomplete.*	OIOS had reviewed the comments provided by FAFICS in response to the detailed audit results. Necessary revisions were made, as appropriate, before issuance of the draft report.
	The recommendation would amount to the dissolution of FAFICS by placing the selection of delegates under the authority of the Board. It fails to state that FAFICS is a member of the Conference of Non-Governmental	The issue relates more to the representation of beneficiaries rather than "the dissolution of FAFICS". The OIOS recommendation aims to strengthen the representation of beneficiaries and give them due status as full members of the Board, with voting rights. Currently, FAFICS represents only 25 per cent of the

	Organizations in Consultative Relationship with the United Nations. It omits mention of the very underpinnings of the democratic machinery of FAFICS in its statutes and rules of procedure, both of which are easily available on the FAFICS website (www.fafics.org).	beneficiaries. Direct election would give an opportunity to the entire beneficiary population to exercise their right to elect their representatives; it would also strengthen the accountability of beneficiary representatives to their constituents and mitigate the conflict of interest between FAFICS and the Fund's secretariat, as explained in the OIOS report. The Board had discussed the issue of beneficiary election in 2006 and the decision to allow FAFICS to represent the beneficiaries was provisional until 2008. Since 2008, the status quo has been maintained.
Page 265	*… The statement that there were 10 FAFICS representatives on the Board or its committees and/or working groups is incorrect, as most of the committee and working group members do double duty as Board representatives.*	The following 10 individuals are listed in the report of the Board's sixty-fourth session (document JSPB/64/R.36) as representing FAFICS in meetings of the Board or its committees, as a primary or alternate representative: Ms. L. Saputelli (Board, Standing Committee) Mr. W. Sach (Board, Assets and Liabilities Monitoring Committee) Mr. M. Breshi (Board, Standing Committee) Mr. G. Schramek (Board, Assets and Liabilities Monitoring Committee) Mr. M. Seenappa (Board, Assets and Liabilities Monitoring Committee) Mr. L.D. Ouedraogo (Board) Ms. P. Barrett-Reid (Assets and Liabilities Monitoring Committee) Ms. H. Featherstone (Audit Committee) Mr. M. Sebti (Standing Committee) Ms. A. Gomez (Standing Committee)
Page 265	*… With regard to retiree representation "in similar sized public pension funds", this statement is not supported by any facts ...*	OIOS ascertained the number of retiree representatives in similar (or larger) sized public pension funds (by asset size) in the United States, the United Kingdom, Canada and South Africa. Some of them include the following: California Public Employees' Retirement System (United States) Teachers' Retirement System of Georgia (United States) New York State Teachers' Retirement System (United States) The Government Employees Pension Fund (South Africa) Public Service Pension Plan (Canada) Universities Superannuation Scheme (United Kingdom) Civil Service Superannuation Board (Canada)
Page 268	*… OIOS notes that costs relating to the participation of all FAFICS representatives in meetings of the Board's committees and working groups were absorbed by the Fund. OIOS failed to note, however, that this is equally the case for most costs related to representatives of governing bodies,*	As noted in General Assembly resolution 61/240, in 2006, the Board decided that it would absorb the costs related to <u>two</u> retiree representatives attending the Board's sessions and one retiree representative attending the Standing Committee's meetings. However, the Fund absorbed expenses relating to the participation of <u>six</u> FAFICS representatives (four primary, two alternate).

	executive heads and representatives of participants. To isolate FAFICS on this point appears discriminatory.	FAFICS' comparison of itself with the representatives of governing bodies, executive heads and participants in the current set up is inappropriate because FAFICS representatives are not Board members. If the Board determines the number of seats to be allotted to retiree representatives and facilitates their direct election as full Board members (as recommended by OIOS), the current practice, which FAFICS characterizes as "discriminatory", would stop.
Page 268-269	*… to cite the personal opinion of a single individual who has no function in the governance of FAFICS is unacceptable, unprofessional and not in line with international standards of internal audits.*	The OIOS report does not just cite "the personal opinion of a single individual". As stated in para. 27 of the report, the statement of the outgoing president of a retiree association affiliated with FAFICS is consistent with complaints from other retirees.
Page 269	*FAFICS firmly rejects the assertion by OIOS that FAFICS had been incorrect by stating in its January 2018 letter that the delays in pension payments were largely a thing of the past. Mathematical analysis of the payment backlog … indicates that the payment backlog for all primary periodic benefits (i.e. full retirement, early retirement and disability) was eliminated prior to mid-2017. In fact, it had been substantially cleared by January 2017… and was less than 100 cases by 31 December 2016. This analysis is consistent with a 2017 report of OIOS that reported a peak in early 2016. OIOS, however, failed to report on what happened to the backlog curve after that. This analysis shows that the backlog was reduced almost as quickly as it was built up. It was substantially cleared by the time that that report was published in 2017;* *A further "payment backlog" of 15,000 items reported more recently is not a payment backlog at all. It is an accumulation of what the Fund refers to as "workflow" items, indicating that a benefit might be payable. In effect, they are mostly a result of breaks in service for short-term staff. The vast majority of these people will re-enter the Fund when they are re-engaged by a member organization, or will elect a deferred benefit. Thus, there is no payment backlog.*	These statements are not true. Data shows that the delays in pension payments were not "a thing of the past". The Board of Auditors reported that there were 3,627 actionable cases as of 1 January 2017 (A/73/5/Add.16, para. 21) which is contrary to the FAFICS statement that there were "less than 100 cases by 31 December 2016". The Board of Auditors also reported that the Fund processed 703 fewer cases in 2017 than 2016. Additionally, FAFICS' assertion that its "analysis is consistent with a 2017 report of OIOS …" is not correct because the OIOS Report 2017/002 dated 13 February 2017 on the "Audit of management of delays in processing of pension benefits" reported thousands of outstanding cases. The Fund Secretariat was able to process only 52 per cent of the initial separation cases in January 2018 within 15 days of receipt of all the required documents, as against the target of 75 per cent set by the Board. The Board of Auditors has stated in its latest report (see page 209 of document A/73/9) that the recommendation it made in 2014 (A/70/325, annex VI, chapter II) was still under implementation as of 2018 because the Fund has still to achieve the desired target for processing the cases. As stated in the OIOS report, the Fund had acknowledged in March 2018 that some 15,000 workflows were pending because key separation documents were missing. As stated in paras. 39 and 60 (b) of the OIOS report, the Fund's quality management policy, which was established in 2002-2003 as a key component of the Fund's management charter that was submitted to the Standing Committee, required that the Fund be more proactive in following up the missing documents. In March 2017, the Chief Executive Officer abolished the policy without the approval of the Board or the Standing Committee which would appear to suggest that the Fund's management bears no responsibility for following up these 15,000 open workflows.

Page 269-270	*… The January 2018 letter from FAFICS referring to the Secretary-General's authority reflects the fact that the Secretary-General has no independent power to nominate or appoint a Chief Executive Officer of the Fund. Article 7 of the Regulations, as approved by the General Assembly, requires that such appointments by the Secretary-General be made on the recommendation of the Board. The regulation entertains no other channel in this respect.*	The explanation now provided by FAFICS is not what it stated or implied in its letter of 18 January 2018. FAFICS had said at that time that the Board had the "sole authority" for appointment and reappointment of the Chief Executive Officer, implying that the Secretary-General had no authority except the "administrative function to issue the contract". This letter, which had the appearance of questioning or undermining the Secretary-General's authority under the Charter of the United Nations, was circulated through the Fund secretariat (headed by the Chief Executive Officer). OIOS therefore maintains that circulation of the FAFICS letter in this manner gave the appearance of collusion between FAFICS and the Fund secretariat to challenge the authority of the Secretary-General and the General Assembly in governance matters of the Fund.
Page 270	*The proposal assumes that there is a need for more frequent meetings of the Standing Committee so that it can provide more effective oversight of the Fund's operations. However, there has been no demonstrated need for more frequent meetings of the Standing Committee. Indeed, more frequent meetings of the Standing Committee could undermine the Board's own authority and diminish its accountability.* *The Standing Committee could even slide into the role of an executive committee that instructs the Chief Executive Officer on how to do his or her job. Such micromanagement would be a step backwards for the Fund and would certainly require revisions to the rules of procedure. Overall, it would weaken, not strengthen, Fund governance. The proposal should be dropped.*	OIOS has not made any assumptions. The audit showed that the Board meets once a year for five to seven days. There is no effective governance mechanism to exercise Board oversight of the Fund's operations during the remainder of the year. Although the Board's other committees meet a number of times during the year, the results of their work are reported to the Board only on an annual basis during the Board's annual sessions. This vacuum in the governance arrangement justifies the need for the Standing Committee to play its due role, which is "to act on behalf of the Board when the Board is not in session". Currently the Standing Committee meets only once a year, that too during the Board's annual session, primarily to deal with appeals. As stated in para. 32 of the OIOS report, any real or perceived "diminishing" of the Board's authority would be prevented if the Board identifies the specific subjects to be delegated to the Standing Committee. The Board's decision to entrust important matters such as performance evaluation and search for the Fund's Chief Executive Officer/Deputy Chief Executive Officer to ad hoc groups instead of the Standing Committee has had the effect of undermining the role of the Standing Committee. Such a practice would suit FAFICS because it gets a larger representation in such ad hoc groups than on the Standing Committee. Oversight must not be confused with micromanagement. Additionally, important actions such as search for the Chief Executive Officer/Deputy Chief Executive Officer and evaluating the Chief Executive Officer's performance should be performed by the Standing Committee. OIOS reiterates its recommendation concerning the Standing Committee and maintains that it should be implemented.

Page 271-272	*The establishment of asset liability monitoring processes for the Fund has been evolving. The initial efforts arose out of a need to find something more comprehensive than simple actuarial projections of income and expenditure flows to highlight future possible shortfalls. A working group of the Board reported in 2013 that sustainability of the Fund would require much more sophistication in projecting cash flows that would need to be based on a wide range of possible assumptions regarding economic and demographic factors.*	There was no demonstrated need for another committee at the Board level to provide "something more comprehensive than simple actuarial projections," considering that the existing Committee of Actuaries and Investments Committee had satisfactorily fulfilled their roles in their individual and joint sessions. The Fund also conducts regular asset and liability studies to inform its strategic asset allocation so that the long-term liabilities of the Fund would be met. Before the creation of the working group and the Assets and Liabilities Monitoring Committee, the asset liability studies conducted in 2007 and 2011 that were overseen by the Fund's management did assess the Fund's sustainability by using a wide range of possible assumptions regarding economic, demographic and other factors. Methodologies and results of those studies were reported to the Board.
	Solvency can be assured only if more than just routine cases are to be considered. Hence, stress testing was needed to complement risk budgeting and risk management work being under taken for the investments.	The Committee of Actuaries and the Investments Committee have the required expertise to assess the appropriateness of the methodology and to decide whether stress testing is needed. Moreover, stress testing is performed by the Office of Investment Management as part of its risk management.
	The use of asset and liability management methods has had the positive effect of ensuring that the assets and liabilities sides of the Fund talk to each other. The Board has significantly benefited from the existence of the Assets and Liabilities Monitoring Committee.	Senior management of the two sides of the Fund have the responsibility to communicate with each other adequately and effectively. Creation of the Assets and Liabilities Monitoring Committee is not the only option to strengthen communication between the two parties. On the contrary, it may have the effect of disturbing the balance between the two sides and creating additional issues, as explained in para. 47 of the OIOS report.
	With its members, drawn from the four constituent parts, it has educated the Board at large by explaining key complexities in ways that specialist actuaries and investors cannot and have not been able to do. The Investments Committee and the Committee of Actuaries, consisting solely of experts, have limited accessibility to lay members of the Board.	The two expert committees always reported to and attended the Board's meetings, where extensive discussions took place. There was no evidence of any complaints or concerns to suggest that the representatives of the two expert committees were not effectively communicating with the Board.
	FAFICS believes that the integrity of the Fund and its sustainability require that a strong Assets and Liabilities Monitoring Committee remain in place. OIOS should withdraw the proposal for lack of merit.	OIOS maintains that the Board should retire its Assets and Liabilities Monitoring Committee. At a minimum, without presumption of outcome, the Board must review the effectiveness of this Committee, as required by the Committee's terms of reference. This review should have been performed in 2016 and is two years overdue. The Committee of Actuaries and the Investments Committee have been integral components of the bifurcated governance structure of the Fund since inception. The Assets and Liabilities Monitoring Committee could disturb this balance, as explained in para. 47 of the OIOS report. This increased the risk that

		the investment decision-making process may be subjected to outside pressure or distraction. The Standing Committee and the Board did not approve proposals to establish an Assets and Liabilities Monitoring Committee or another Investments Committee under the Board in 2005 and 2007, respectively, noting that the Fund's current governance set up was adequate and ensured that the fiduciary responsibility and accountability for the Fund's assets was placed at the highest executive level.
Page 272	*While it is possible to envisage a theoretical separation of the two roles, there is not likely any net benefit to be achieved in practice from such a separation. Indeed, one of the strengths of the current arrangement is that the authority to act on mandates of the Board is readily available to the Secretary in his or her executive role.*	As explained at length in the OIOS report, the separation of roles of the Board's Secretary and the Fund's CEO is of critical importance to prevent role conflicts, provide for the required checks and balances, and promote accountability of the Fund's management to the Board. What FAFICS describes as "one of the strengths" of the current arrangement is actually a significant control weakness that has been demonstrated through the specific examples in para. 60 of the OIOS report. The authority to act on mandates of the Board that is "readily available" to the Secretary compromises the same individual's accountability to the Board in his or her role as the Fund's Chief Executive Officer.
	Splitting the two functions could result in increases in organizational tension, wasting energy without achieving any operational improvements. A structure with two competing senior positions at the top of the Fund represents an unnecessary new risk for the Fund that should be avoided in the interests of harmony and efficiency.	There is no basis to conclude that the separation of roles of the Board's Secretary and the Fund's Chief Executive Officer would result in increase in organizational tension or wasting of energy. Role segregation would help resolve the inherent conflict that the individual is subjected to under the existing arrangement. It is a fallacy to assume that the separation of roles would result in the two roles competing with each other because the role functions would be separate and distinct. While the Secretary of the Board would provide secretariat services to the Board and its committees, the Chief Executive Officer would be freed from this burden and allowed to concentrate on providing better service to the more than 200,000 participants and beneficiaries of the Fund. This would also strengthen the Board's ability to hold the Chief Executive Officer accountable for the performance of these functions in accordance with the quality standards that the Fund's participants and beneficiaries expect.

(*Signed*) Eleanor T. **Burns**
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