INTERNAL AUDIT DIVISION

REPORT 2026/013

Audit of cash management in the Office of Investment Management of the United Nations Joint Staff Pension Fund

OIM needed to review, recalibrate and consolidate the risk and compliance limits for Cash and Equivalents, spell out cash portfolio management strategies and adequately justify deviations from the guidelines for repatriating currency balances.

29 June 2025
Assignment No. AS2025-801-01

Audit of cash management in the Office of Investment Management of the United Nations Joint Staff Pension Fund

EXECUTIVE SUMMARY

The Office of Internal Oversight Services (OIOS) conducted an audit of cash management in the Office of Investment Management (OIM) of the United Nations Joint Staff Pension Fund. The objective of the audit was to assess the adequacy and effectiveness of governance, risk management and control processes over cash management in OIM. The audit covered the period from 1 January 2023 to 31 October 2025 and included a review of: (a) policy framework, (b) cash reconciliation and projection, and (c) cash investment activities.

There were discrepancies between the risk and compliance rules for Cash and Equivalents, together with deficiencies in their design and monitoring. There were also gaps in the documented guidance on best execution of currency transactions and cash portfolio management strategies. Furthermore, deviations from the existing guidelines for repatriating currency balances were not adequately justified.

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

- Review, recalibrate and consolidate the risk and compliance rules for Cash and Equivalents;

- Document the justification for trading restricted currencies only with the custodian; and spell out in sufficient detail the portfolio management strategies for Cash and Equivalents;

- Ensure that deviations from the existing guidelines on repatriating currency balances are adequately justified, reviewed and approved.

OIM accepted all recommendations and has yet to initiate action to implement them. Actions required to close the recommendations are indicated in Annex I.

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Audit of cash management in the Office of Investment Management of the United Nations Joint Staff Pension Fund

I. BACKGROUND

1. The Office of Internal Oversight Services (OIOS) conducted an audit of cash management in the Office of Investment Management (OIM) of the United Nations Joint Staff Pension Fund (UNJSPF).

2. UNJSPF was established in 1949 by the General Assembly to provide retirement, death, disability and related benefits for the staff of the United Nations and other international intergovernmental organizations admitted to the membership of the Fund. Under the authority of the Secretary-General, the Representative of the Secretary-General for the investment of the assets of the Fund (RSG) has a fiduciary responsibility to manage investments in the best interests of the Fund's participants and beneficiaries. The investments of the Fund managed by OIM amounted to $107.4 billion as of 31 December 2025, allocated across various asset classes as shown in Figure 1, with Cash and Equivalents accounting for 1.8 per cent of total assets. Figure 2 provides a snapshot of the performance of the investment portfolio for 5 time periods relative to the policy benchmark. In addition, the Fund's 15-year real return was 4.2 per cent as of 31 December 2025, exceeding the long-term investment objective of 3.5 per cent in real terms, i.e., after adjusting for inflation.

Figure 1: UNJSPF asset breakdown as of 31 December 2025

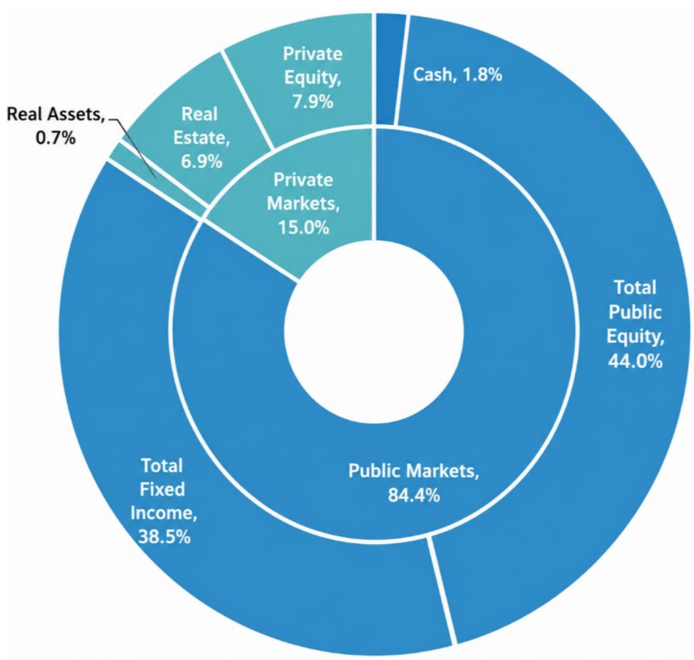
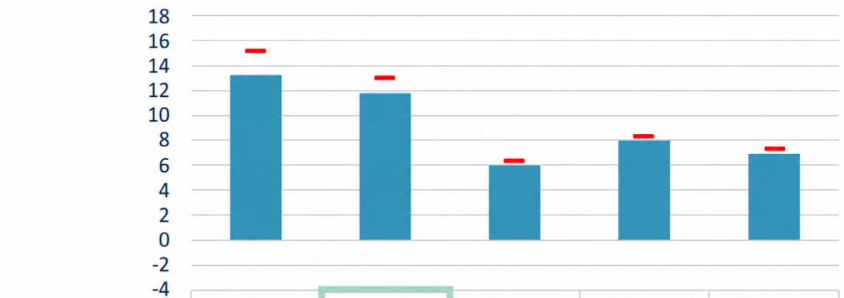


Figure 2: UNJSPF investment performance as of 31 December 2025



	1 year	3 years	5 years	10 years	15 years
Total Fund Return	13.3	11.8	6.0	7.9	6.9
Benchmark Return	15.2	13.1	6.4	8.3	7.2
Excess return	-1.9	-1.3	-0.4	-0.4	-0.3

3. OIM allocates a portion of the Fund's assets to Cash and Equivalents to meet liquidity needs of the Fund, including needs for: paying benefits in 11 currencies; funds to implement Strategic and Tactical Asset Allocation (SAA and TAA); and funds required for projected cash flows and for a safety buffer. Per the Investment Procedures of 2024, eligible instruments for the Cash and Equivalents portfolios include:

- Government and related securities
- Money market instruments (deposits, discount notes and others)
- Floating rate notes
- Securitized debts
- Inflation-linked bonds
- Corporate securities
- Exchange-traded derivatives
- Over the counter derivatives
- Repo and Reverse Repo

4. The current SAA has a target allocation of 1 per cent to Cash and Equivalents with a range between 0.5 to 3 per cent. The actual allocation and performance of the cash portfolios are captured in Table 1. On 1 October 2018, OIM implemented a new structure for cash management consisting of three accounts[1]: Investment Cash, Treasury Cash and Operational Cash. The Investment Cash account is dedicated to managing most of the cash asset allocation, while the Treasury Cash account functioned as a cash forecasting and funding account to facilitate cashflows for the total fund and the Operational Cash account for funding monthly pension benefit payments. The benchmark for Investment Cash is Bloomberg Barclays 1–3-month United States Treasury Bill Index. In 2022, OIM further decided to allow the Fixed Income portfolios[2] to manage their own cash generated through trading or income, with the exceptions of currency transactions for the Emerging Market Debt portfolio and cash flows for implementation of TAA.

[1] Through a memorandum approved by the then RSG.

[2] US Treasuries, US Securitized (Mortgage-Backed Securities), US Corporates (Credits), US Government-related and Emerging Market Debt.

Table 1: OIM actual cash allocation and 1-year return at the end of each quarter from 2023 to 2025 (%)

Year		**2023**				**2024**				**2025**			
Quarter		**Q1**	**Q2**	**Q3**	**Q4**	**Q1**	**Q2**	**Q3**	**Q4**	**Q1**	**Q2**	**Q3**	**Q4**
Investment Cash	Weight	1.64	1.26	1.29	1.42	1.16	1.59	1.45	1.38	1.71	2.05	1.91	1.47
	Return	NA*	NA*	NA*	5.2	5.4	5.5	5.6	5.4	5.1	4.8	4.5	4.4
	Benchmark return	NA	NA	NA	5.1	5.4	5.5	5.5	5.3	5.0	4.8	4.5	4.3
Treasury Cash	Weight	0.40	0.32	0.32	0.33	0.30	0.30	0.30	0.33	0.30	0.39	0.31	0.35
	Return	NA	NA	NA	4.8	5.2	5.5	5.6	6.1	6.2	6.0	6.8	5.9
Total cash weight		2.04	1.58	1.62	1.75	1.46	1.89	1.75	1.71	2.01	2.44	2.22	1.82

*: Performance figures for Cash and Equivalents were not included in the quarterly reports published on UNJSPF website until Q2 2023.

5. Organizationally, the cash portfolios are managed by the Investment Cash/Currency Management Team (herein after referred to as FX-Cash Team) under the Fixed Income Section. The Team consists of two staff members: one P-4 and one P-3. Besides, in the Back Office under the Operations function of OIM, three staff members (1 P-4, 1 P-3 and 1 P-2) are responsible for cash reconciliation and projection.

6. OIM primarily uses the trade order management system for cash management, including cash reconciliation and projection, trading of securities and currencies, together with the accounting and performance reporting system of the custodian bank/master record keeper. OIM uses another external system for most up-to-date information on capital calls and distributions related to Private Markets investments.

7. Comments provided by OIM are incorporated in italics.

II. AUDIT OBJECTIVE, SCOPE AND METHODOLOGY

8. The objective of the audit was to assess the adequacy and effectiveness of governance, risk and control processes over cash management in OIM.

9. OIOS conducted this audit from November 2025 to March 2026. The audit covered the period from 1 January 2023 to 31 October 2025 and include: (a) policy framework, (b) cash reconciliation and projection, and (c) cash investment activities.

10. The audit methodology included: (a) interviews with key personnel, (b) review of relevant documentation, (c) walk-through of processes in the investment order management system, (d) analytical review of data related to cash investment activities, and (e) sample testing of cash reconciliation and projection and foreign exchange transactions, using a judgmental sampling approach.

11. To assess the reliability of data pertaining to cash management, OIOS performed reasonableness tests by comparing the balances of the cash accounts throughout different periods and their ratios relative to total cash allocation and the Fund’s assets. OIOS also reconciled data including balances and activities from the order management system and the custodian’s system and those published on the Fund’s website.

12. The audit was conducted in accordance with the Global Internal Audit Standards.

III. AUDIT RESULTS

A. Policy framework

<u>The risk and compliance rules applicable to Cash and Equivalents needed to be updated</u>

(a) Various documents on risk and compliance rules

13. Multiple documents provide various risk and compliance limits and guidelines[3] for Cash and Equivalents, applicable to one or more of the three cash accounts. Some of them were introduced upon the restructuring of the cash accounts through the 2018 Memorandum on Cash and Equivalents and were approved by the Compliance Committee. When implementing a new Fixed Income benchmark that excluded bonds denominated in developed market currencies other than United States dollars (USD), OIM temporarily suspended some of those limits built into the compliance module of the trade order management system until the end of the extended transition period, i.e., 30 September 2019. The current version of the Investment Procedures, last updated in December 2024, consists of a master list of compliance limits for all asset classes, including those applicable to Cash and Equivalents. OIM confirmed that the limits captured in the Investment Procedures were active in the trade order management system for automatic compliance monitoring.

14. The Risk Manual of 2020 also mentioned three limits for Cash and Equivalents in the corresponding section. The Liquidity Risk Policy annexed to the Manual listed essentially the same limits for Investment Cash and Treasury Cash as in the 2018 Memorandum. The Risk Manual updated in November 2022 mentioned the same three limits as the 2020 version in the body and included the same statement that "Cash and Equivalent limits are listed in Liquidity (Risk) Policy in the Annex III." However, all eight annexes of the Manual were not physically attached. Upon inquiry, OIM stated that the Liquidity Risk Policy was being updated.

(b) Discrepancies between the rules and their status

15. As shown in Table 2 below, there were discrepancies between the limits listed in different source documents. And only one subset of them were currently coded into the order management system for automatic compliance monitoring. Those that were not documented in the current Investment Procedures nor active in the system appear to be designed to ensure liquidity of the cash portfolios, including some actively followed by the FX-Cash Team. For instance, the rule that requires at least 50 per cent of the Investment Cash portfolio be invested in United States Treasuries, which is a baseline liquidity requirement. While the Liquidity Risk Policy was being updated, there was no indication that any of those limits were abolished.

[3] OIM used "rules", "limits" and "guidelines" in the source documents without specifying any difference, as if these terms are interchangeable.

Table 2: Risk and compliance rules applicable to Cash and Equivalents

Rule/limit	2018 Memo	2019 Memo	2020 Liquidity Risk Policy	2020 & 2022 Risk Manual	2024 Investment Procedures + System
15% limit per Supera issuer (for Investment Cash)	Y		Y		Y
Amount issued <10% for corporate and bank issuers	Y		Y		Y
Amount issued < 20% for supra & sovereign	Y		Y		Y
No new trades can be booked to STCT acct	Y				Y
No new non-USD investments	Y		Y	Y	Y
Minimum Short-Term Rating A3/P3/F3	Y*		Y		Y
Developed market non-USD Currency					Y
Max $300MM AAA to A- Counterparty					Y
FX max $150MM BBB+ Counterparty					Y
FX max $150MM BBB Counterparty					Y
FX max $150MM BBB-Counterparty					Y
FX max $0MM <BBB-Counterparty					Y
Only use approved FX Brokers					Y
Maximum exposure of $300MM					Y
No forwards more than 6 months maturity					Y
DOA - Currencies and Short Term > $200MM (DIR APPRV)	Y				Y
DOA - Currencies and Short Term > $200MM (IO APPRV)	Y				Y
DOA - Currencies and Short Term 0- $200M	Y				Y
Sanctioned List					Y
Min $200MM in Cash (a.k.a. Operating Reserves - Operational & Treasury combined)	Y		Y		Y
Operating reserves can adjust in line with annual calculation	Y		Y		
Min 50% in US Treasury issued products	Y	Y	Y		
Max $50MM per non-US Treasury position	Y	Y	Y		
ABS min credit rating must be P1+, A-1+ or F1+ (short term ratings) or Aaa, AAA (Long term Ratings) for Moody's, S&P and Fitch Ratings.	Y	Y	Y		
Maximum interest rate duration < Benchmark+1-year	Y	Y	Y		
Max 10% in securities > 1 year maturity, with max Weighted Average Life ≤ 5 years	Y	Y	Y		
Issuer limit of 10% of portfolio value for corporate and bank issuers	Y		Y	Y	
Maximum 15% of the allocated UNJSPF cash asset allocation exposure (in Treasury Cash)	Y				
Max $200MM in short-term deposits for the approved banks				Y	

*Plus investment grade for long term

(c) Rationale for duration limit for Investment Cash

16. The rationale for setting some limits at specific levels was not specified in the documents, hence they may be too high or too low and operationally ineffective. For example, the duration[4] limit of "benchmark duration plus one year" for the Investment Cash portfolio appears too high in a realistic scenario, considering two related limits and the short-term nature of its benchmark - the holdings of securities with maturity longer than 1 year are capped at 10 per cent of the portfolio and their Weighted Average Life (WAL) limited to 5 years, and the portfolio's benchmark is an index consisting of 1-to-3-month United States Treasuries. Based on OIOS' estimation, the portfolio's duration would not exceed 1.03 years assuming OIM holds 10 per cent of the portfolio in securities with WAL of 5 years (the maximum

[4] Duration (denoted in years) is how long it will take for an investor to receive the bond's present value based on the expected future cash flows of the bonds. It is a risk indicator that measures an investment security or portfolio's interest rate risk or sensitivity to interest rate changes.

allowed) and allocates 40 per cent of the portfolio to securities with maturity close to 1 year[5]. In comparison, the value of the duration limit under the same extreme assumptions would be 1.25 years. In this connection, OIOS noted that the Investment Cash portfolio's actual duration was only 0.15, 0.15 and 0.19 years at the beginning of the first three quarters of 2025, respectively, significantly below the value of the duration limit.

17. Risk and compliance limits are put in place to prevent excessive risk exposure. In other words, they should be breached (and an alert is triggered) when the risk exposure is too high. Otherwise, their effectiveness as a risk control measure will be limited. In specific, a duration limit is to manage a Fixed Income or short-term (cash) portfolio's interest rate risk. As stated in the Investment Policy Statement (IPS), the primary objective of the Investment Cash portfolio is to preserve capital and provide liquidity, and hence the risk exposure should be minimal. Therefore, it is not realistic for the portfolio to assume the level of risk implied by the duration limit.

18. OIM stated that the limit was set at a reasonable level because the portfolio managers need optionality and flexibility to navigate ever-changing market conditions. OIM further stated that the portfolio managers may need to invest in a wide range of instruments to maximize returns in the future. However, OIM did not explain why as much flexibility as implied by the duration limit is needed. Nor did OIM explain under what market conditions and investment strategies the portfolio's duration will approach or breach the limit. Considering the primary investment objectives of the Investment Cash portfolio and the simulation result elaborated above, OIOS reiterates that the duration limit needs to be reviewed and recalibrated to be effective.

(d) Rationale for Treasury Cash limit

19. The 15-per-cent cap for Treasury Cash relative to the Fund's total cash allocation appears too low considering the requirement to hold at least $200 million in Treasury and Operational Cash combined at any time: the limit can be easily breached due to the significant changes in the Fund's total value and the strategic allocation target to cash from 2018 to 2025: the former grew from $61 to $107 billion, while the latter decreased from 1.5 to 1 per cent. OIOS noted the limit was frequently exceeded during the audited period based on a sample of quarter-end balances: the Treasury Cash balance from 2023 to 2025 exceeded 15 per cent of total cash allocation at the end of 10 quarters[6], averaging 17.9 per cent. However, there was no evidence that the breach was captured by OIM, let alone taking corrective action or questioning the reasonableness of the limit.

(e) Awareness and monitoring

20. OIOS also noted that there was limited awareness of risk and compliance limits for Cash and Equivalents and the source documents consisting of them among OIM teams until the current audit. This likely contributed to the condition where the compliance with the limits except those built into the system was not monitored and breaches not detected.

21. In OIOS' view, OIM should leverage the updating of the Liquidity Risk Policy as an opportunity to conduct a comprehensive review of the risk and compliance rules for Cash and Equivalents and ensure they are reasonable, fit for purpose and understood across the office.

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[5] OIOS has not noted significant deviation from their benchmarks by the portfolios managed by OIM internally, let alone more than 50 per cent.

[6] As an exception, the balance in the Treasury Cash account can go above the limit temporarily due to implementation of technical asset allocation or rebalancing exercises, which usually ended before the end of quarters.

(1) OIM should review, recalibrate and consolidate the risk and compliance rules for Cash and Equivalents.

OIM accepted recommendation 1 and stated that OIM will review current risk and compliance regulations related to Cash and Equivalents and recalibrate and consolidate them to ensure clarity, consistency, and alignment with current investment practices and risk management objectives. Subsequently, the reviewed rules will be tested and coded in Bloomberg. OIM further stated that it will formalize and document the revised framework and implement communication and training to ensure all relevant personnel are informed and familiar with the updated rules.

B. Cash reconciliation and projection

Adequate liquidity was provided through timely and effective cash reconciliation and projection and funding

(a) Cash reconciliation

22. The trade order management system used by OIM and the custodian's record-keeping system capture all investment activities, including cash activities and holdings in different currencies across all investment accounts. Due to various causes such as timing of recording a cash flow, there could be discrepancies (also known as breaks) between the two systems' records. The order management system has a cash management module that was configured to automatically reconcile the investment positions and cash balances as of the end of the previous business day (opening balance of the next business day). It is the Back Office's responsibility to review all the discrepancies identified by the system, determine their causes and resolve them.

23. The primary causes of cash discrepancies include capital calls for or distributions from Private Markets investments (mainly Private Equity, Real Estate and Infrastructure), corporate actions, paydowns and tax withholding and failing trades. The Back Office Manual provides step-by-step guidance on how to record, track and resolve the cash breaks. Despite that it is impossible to completely reperform the cash reconciliation as the cash balances can be retroactively adjusted when the system assigns cash activities to the value days in the past, OIOS established through review of the cash reconciliation log, comparison of the recorded discrepancies with those identified by OIOS on a sample basis, and discussion with the Back Office that cash reconciliation was timely and effectively conducted.

(b) Cash projection

24. The cash management module also provides cash projections up to 10 business days, including the current day. Based on the system generated projections and the cash reconciliation results, the Back Office refined the cash projections for the current day and two business days out for all cash portfolios and other Fixed Income portfolios. The Back Office communicated the projections to all Fixed Income teams in email, highlighting the major discrepancies, for instance, any expected cash income yet to be received or that may not be received on time, such as non-contractual income, and any projected overdraft situations. After the first email early in morning every day, the Back Office sends out the second email in the afternoon with updated information in the day.

25. OIOS took a sample of 25 days' projection emails and identified all the alerts of potential overdrafts in different currencies. By reviewing the cash activities of corresponding currencies on the same dates, OIOS noted that without exception such alerts were acted upon with timely currency transactions initiated by the FX-Cash Team to prevent overdrafts in any currency. The Back Office further confirmed to OIOS

that OIM did not experience any overdraft in the accounts managed internally by the FX-Cash Team during the audited period. This is an indication of the effectiveness and reliability of the systems and processes put in place as well as the quality of the work.

C. Cash investment activities

The Cash and Equivalents portfolios generated higher returns during the audited period

26. One of the objectives for Cash and Equivalents portfolios is to generate risk-adjusted return. During the period audited, i.e., from 2023 to 2025, the Investment Cash portfolio achieved an annual return of 5 per cent during the 3 years, significantly higher than historical average and with an excess return of 10 basis points (0.1 per cent) over its benchmark. The combined Treasury and Operational Cash portfolio, which absorbs all the realized foreign exchange gains and losses, achieved an even higher return of 5.6 per cent over the same period. The performance was driven by a higher interest rate environment in the United States during the period and active investment by the FX-Cash Team.

There were gaps in documentation of guidance on best execution and cash management strategies

27. When implementing the order management system in 2022, OIM drafted a document to illustrate the workflows of initiating and executing trade orders for all asset classes in the system, including foreign exchange trading. OIM provided a draft Foreign Exchange Derivatives Standard Operating Procedure (SOP) from 2024, with many comments by different teams on the operating process yet to be addressed. OIM also provided a document titled "Fixed Income Standard Operating Procedures" at the end of the audit. It was created in 2024 and, inter alia, consists of procedures for Fixed Income and foreign exchange trade execution, with descriptions of delegation of authority, market structure, best execution, systems and risk and compliance controls. OIOS noted gaps, as below.

(a) Guidance on best execution of currency transactions

28. The sections on best execution in the Fixed Income Standard Operating Procedures included a requirement to obtain quotes from at least three counterparties for competitive electronic execution. OIOS' sample testing showed that electronic trading of non-restricted currencies carried out by the FX-Cash Team consistently met the requirement and achieved savings in transaction costs.

29. For restricted currencies, OIM traded exclusively with the custodian. The FX-Cash Team explained that it was mainly due to regulatory requirements, for instance, documentation to evidence the need for a specific currency to fund an investment, say, in equities. According to OIM, the custodian bank, as the Fund's master record keeper, is in a good position to meet the requirements on behalf of OIM. In this connection, OIOS noted that OIM achieved total savings of $251,700 for non-restricted currencies while incurring additional transaction costs of $270,619 for restricted currencies throughout the first three quarters of 2025 when benchmarked against the same industry standard for exchange rates[7]. This is despite that trading of non-restricted currencies only constituted approximately 16.6 per cent of total foreign exchange transactions in amount measured in USD during the same period. According to the Team, alternative arrangements for restricted currencies may be also costly as the Fund may need to set up an office or hire an agent in Asia to facilitate the trading of Asian restricted currencies due to the time difference. The rationale for trading the restricted currencies only with the custodian was not documented in any of the procedures.

[7] WM/Reuters 4 P.M. London Fix

(b) Documentation of portfolio management strategy

30. The IPS provides the objectives, i.e., safety, liquidity and return, for Cash and Equivalents and high-level principles for portfolio design and implementation. Despite providing guidance on different aspects of trade execution, including the workflows in the order management system, the procedures collectively do not have coverage on how the cash portfolios are managed to achieve the objectives. That is, how to construct the portfolio and adjust compositions to prioritize capital preservation and provide liquidity, including alignment with (or deviation from) the benchmark, level of risk to take, factors to consider, etc.

31. Based on discussions with the FX-Cash Team and review of the transactions of the Investment Cash portfolio from August to October 2025, OIOS noted that the Team followed a dynamic approach that prioritized portfolio liquidity but also factored in alignment with the benchmark and return generation. The Team ensured that at least 50 per cent of the portfolio was in United States Treasuries and avoided prematurely selling investments in spread products such as commercial papers that offered higher returns under all circumstances, including implementation of TAA decisions of the Internal Investment Committee. For the Treasury Cash portfolio, the Team consistently deposited the funds in USD into a bank that had the capacity to accept approximately $200 million in overnight deposits all the time before using other banks for the rest of the balance. The same counterparty also consistently offered higher overnight interest rates.

32. While the overall investment strategies were sound, it is OIOS' opinion that the portfolio management philosophies, substance and style should be spelled out in detail in the procedures for transparency and knowledge transfer when needed.

(2) OIM should: (i) document the justification for trading restricted currencies only with the custodian; and (ii) spell out in sufficient detail the portfolio management strategies for Cash and Equivalents.

OIM accepted recommendation 2 and stated that the trading of restricted currencies through the custodian is standard market practice. Nonetheless, it cannot be presumed that these conventions are known or understood by our stakeholders. As such, pertinent information around these and other related modalities will be made explicit and will be incorporated into the Fixed Income Standard Operating Procedures, after it has been fully reviewed. OIM further stated that the investment approaches for Cash and Equivalents derives from OIM's Investment Policy Statement, investment guidelines and standard operating policies. It is recognized that the linkages between these documents can be strengthened further in order to provide more clarity and context. In this direction, the Fixed Income team will initiate a review process to ensure greater alignment among these documents.

<u>Justifications for deviations from guidelines on time frames for repatriating foreign currency balances were not sufficiently documented</u>

33. The FX-Cash Team manages 35 currencies to fund investments in all asset classes and the monthly benefit payments. Apart from the risk and compliance rules mentioned above, the 2018 Memorandum on Cash and Equivalents stipulates guidelines for foreign exchange transactions as follows:

- Foreign currency balances are allowable.
- Foreign Exchange execution within the treasury account will be on a best endeavors basis with the following principles:
    - ✓ To reduce currency volatility and depending on forecast cash flow needs, cash balances are encouraged to be transferred to USD (also known as "repatriation").

- ✓ Transactions to sweep balances to USD do not need to be undertaken every day.
- ✓ Cash forecasts in different currencies must be considered to avoid unnecessary transaction volume and costs in short time periods.
- ✓ In normal market circumstances and where currency cash balances do not have known forecast requirements they should be converted to USD in the following time periods: (a) G3, i.e., Euro (EUR), Japanese Yen (JPY) and USD, balances should have transactions executed by receipt plus three business days; and (b) all other currencies should have transactions executed by receipt plus two weeks.

34. These guidelines were incorporated into the Liquidity Risk Policy annexed to the 2020 Risk Manual. In OIOS' view, they are sound as they appear to be designed to achieve an optimal balance between the objectives of limiting exposure to currency volatility, avoiding excessive transaction costs and minimizing opportunity costs in holding currency balances. In addition, these guidelines and other OIM procedures do not require maintenance of a minimum balance in any foreign currency, likely due to consideration of the reliability of cash projections. Nor were thresholds set for the currencies so that balances below the thresholds do not need to be repatriated.

35. OIOS reviewed the daily cash activities, including foreign currency transactions and balances, throughout the period from August to October 2025 (see Table 3 below). While there were ending balances in most currencies for most of the days, it was evident that the FX-Cash Team followed all the above-mentioned guidelines except the time frames for repatriating the currency balances, i.e., the three-day window for EUR and JPY and the two weeks for others. Table 3 lists the instances where currency balances were kept up to or beyond such time frames.

36. There were no projected outflows or uncertain inflows during the respective time periods that necessitated those balances to avoid overdraft in corresponding currencies. In other words, they could have been swept to USD without causing overdraft or necessitating reverse transactions. For instance, the EUR balance of €803,978 from 6 to 13 August 2025. It appears that such balances were often due to the practice of selling or buying currencies in large round amounts instead of sweeping the whole balance or matching the exact amount of a funding gap. For example, the €255,155 left in the account from 9 to 16 September 2025 were a result of two orders to sell euros in total amount of €12,800,000 instead of €13,055,155 on 8 September 2025. OIOS noted similar trading practices with other payroll currencies, resulting in various amounts left in the Treasury Cash account.

37. Holding extra currency balances can have an opportunity cost in terms of interest income: the custodian of OIM pays no interest for balances in most currencies and in some cases even charges interest (i.e., negative interest), particularly for Swiss Francs (CHF). For instance, the bank charged a negative annual interest rate of 1.6 per cent in October 2025 for Swiss Francs. And OIM paid 2,328 Swiss Francs of interest for the whole year of 2025. In contrast, the custodian paid an annual rate of 1.5 per cent for United States dollar balances and the overnight deposits into other banks earned approximately an annual rate of 4 per cent in October 2025. The significant differential in interest rates should more than offset the transaction costs (as implied in the spread of the bid and ask exchange rates) if currency balances are held for extended periods, i.e., it is more beneficial to convert to USD and buy the currency back when needed without considering potential exchange rate movements[8]. This is likely the rationale for setting the time frames for holding different currency balances.

38. OIM stated that the existing guidelines are not mandatory and provide flexibility and optionality in managing multi-currency balances which allow efficient and effective cash management. Nonetheless, OIM

[8] OIM portfolio managers are not allowed to take active bets in currencies, i.e., holding currencies in anticipation of appreciation.

recognized the need to document the instances where currency balances are not repatriated in a reasonable time period and the rationale behind. OIOS is of the opinion that the FX-Cash Team should provide sufficient justification for each case of deviation from the guidelines, and the justifications should be reviewed and approved periodically either by management or the Risk and Compliance Team.

Table 3: Examples of foreign currency balances in Treasury Cash account (August to October 2025)

Currency	Amount	Consecutive business bays	Date range	Approximate USD equivalent	Accrued interest (%) paid by custodian	
					Min	Max
EUR	255,155	6	9/9/2025–16/9/2025	295,979	0.005	0.05
EUR	≥803,978	6	6/8/2025-13/8/2025	≥932,611	0.005	0.05
JPY	31,230,406	6	15/8/2025–22/8/2025	201,486	-0.45	0
CHF	≥68,597	15	5/8/2025–25/8/2025	≥85,060	-0.85	-1.6
CNH	≥714,059	20	16/9/2025–10/10/2025	≥102,008	0	0
COP	≥128,434,199	66	1/8/2025–31/10/2025	≥34,590	0	0
CZK	472,993	66	1/8/2025–31/10/2025	22,523	0	0
DKK	381,440	20	28/8/2025–24/9/2025	59,414	0	0
GBp (British pence)*	126,528,830	66	1/8/2025–31/10/2025	1,709,849	0	0
ILS	316,289	28	9/9/2025–16/10/2025	94,887	0	0
MYR	1,437,759	12	16/10/2025–31/10/2025	342,601	0	0
PHP	2,057,618	11	30/9/2025–14/10/2025	36,257	0	0
SEK	≥664,263	16	03/9/2025–24/09/2025	≥61,312	0	0

*According to OIM, the GBp balances were due to a system bug and not real.

(3) OIM should ensure that deviations from the existing guidelines on repatriating from currency balances are adequately justified, reviewed and approved.

OIM accepted recommendation 3 and stated that the existing guidelines provide flexibility and optionality in managing multi-currency balances which allow for an efficient and effective implementation of OIMs cash investments. Nonetheless, it is important to document instances when funds are not 'consistently repatriated' so that the rationale is readily available. Accordingly, the Fixed Income team will review its cash repatriation procedures to ensure that the process is consistent and that exemptions are clearly identified and an appropriate rationale is given.

IV. ACKNOWLEDGEMENT

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

Internal Audit Division
Office of Internal Oversight Services

STATUS OF AUDIT RECOMMENDATIONS

Audit of cash management in the Office of Investment Management of the United Nations Joint Staff Pension Fund

Rec. no.	Recommendation	Critical[9]/ Important[10]	C/ O[11]	Actions needed to close recommendation	Implementation date[12]
1	OIM should review, recalibrate and consolidate the risk and compliance rules for Cash and Equivalents.	Important	O	Receipt of documentation showing that the risk and compliance rules for Cash and Equivalents are updated, consolidated and coded in the system.	30 September 2027
2	OIM should: (i) document the justification for trading restricted currencies only with the custodian; and (ii) spell out in sufficient detail the portfolio management strategies for Cash and Equivalents.	Important	O	Receipt of updated procedures with justification for trading restricted currencies only with the custodian documented and the investment strategy for Cash and Equivalents described in sufficient detail.	30 September 2027
3	OIM should ensure that deviations from the existing guidelines on repatriating from currency balances are adequately justified, reviewed and approved.	Important	O	Receipt of documentation showing that deviations from established guidelines on repatriating currency balances are adequately justified, reviewed and approved.	30 September 2027

[9] Critical recommendations address those risk issues that require immediate management attention. Failure to take action could have a critical or significant adverse impact on the Organization.
[10] Important recommendations address those risk issues that require timely management attention. Failure to take action could have a high or moderate adverse impact on the Organization.
[11] Please note the value C denotes closed recommendations whereas O refers to open recommendations.
[12] Date provided by [entity] in response to recommendations. [Insert "Implemented" where recommendation is closed; (implementation date) given by the client.]

APPENDIX I

Management Response

Management Response

Audit of cash management in the Office of Investment Management of the United Nations Joint Staff Pension Fund

Rec. no.	Recommendation	Critical[1]/ Important[2]	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
1	OIM should review, recalibrate and consolidate the risk and compliance rules for Cash and Equivalents.	Important	Y	CRCO / Chief of Investment & Performance Risk / Compliance Officer	Q3 2027	OIM accepts the recommendation. We will review current risk and compliance regulations related to Cash and Cash Equivalents and recalibrate and consolidate them to ensure clarity, consistency, and alignment with current investment practices and risk management objectives. Subsequently, the reviewed rules will be tested and coded in Bloomberg. OIM will formalize and document the revised framework and implement communication and training to ensure all relevant personnel are informed and familiar with the updated rules.
2	OIM should: (i) document the justification for trading restricted currencies only with the custodian; and (ii) spell out in sufficient detail the portfolio management strategies for Cash and Equivalents.	Important	Y	Director of Fixed Income / Investment Officer, Investment Cash and Currency Management	Q3 2027	(i) The trading of restricted currencies through the custodian is standard market practice. Nonetheless, we cannot presume that these conventions are known or understood by our stakeholders. As such, pertinent information around these and other related modalities will be made explicit and will be incorporated into the Fixed Income Standard Operating Procedures, after it has been fully reviewed. (ii) The investment approaches for Cash and Cash Equivalents derives from OIM's Investment Policy Statement (IPS), investment guidelines and standard

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

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

Management Response

Audit of cash management in the Office of Investment Management of the United Nations Joint Staff Pension Fund

Rec. no.	Recommendation	Critical[1]/ Important[2]	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
						operating policies. It is recognized that the linkages between these documents can be strengthened further in order to provide more clarity and context. In this direction, the Fixed Income team will initiate a review process to ensure greater alignment among these documents.
3	OIM should ensure that deviations from the existing guidelines on repatriating from currency balances are adequately justified, reviewed and approved.	Important	Y	Director of Fixed Income / Investment Officer, Investment Cash and Currency Management	Q3 2027	The existing guidelines provide flexibility and optionality in managing multi-currency balances which allow for an efficient and effective implementation of OIMs cash investments. Nonetheless, it is important to document instances when funds are not ‘consistently repatriated’ so that the rationale is readily available. Accordingly, the Fixed Income team will review its cash repatriation procedures to ensure that the process is consistent and that exemptions are clearly identified and an appropriate rationale is given.