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INTEROFFICE MEMORANDUM

MEMORANDUM INTERIEUR

OFFICE OF INTERNAL OVERSIGHT SERVICES - BUREAU DES SERVICES DE CONTRÔLE INTERNE

INTERNAL AUDIT DIVISION - DIVISION DE L'AUDIT INTERNE

TO: Mr. John Levins, Chairperson
A. United Nations Joint Staff Pension Board

DATE: 14 February 2019

REFERENCE: OIOS-2019-00348

FROM: Eleanor T. Burns, Director 
DE: Internal Audit Division
Office of Internal Oversight Services

SUBJECT: **Status of Audit Recommendations – Comprehensive audit of the governance structure and related processes of the United Nations Joint Staff Pension Board (Report A/73/341)**
OBJET: **Status of Audit Recommendations – Comprehensive audit of the governance structure and related processes of the United Nations Joint Staff Pension Board (Report A/73/341)**

1. Attached please find a table showing the status of OIOS recommendations relating to the comprehensive audit of the governance structure and related processes of the United Nations Joint Staff Pension Board, which was issued as document A/73/341 in September 2018.
2. As you are aware, the General Assembly considered the OIOS report during the main part of its seventy-third session and adopted resolution 73/274 in which the Assembly made a number of comments/decisions relating to the findings and recommendations in the OIOS report. The attached table indicates the actions that need to be taken by the Pension Board to enable OIOS to close the open recommendations.
3. In accordance with standard practice, OIOS will report on the progress made to implement these recommendations in its annual report to the General Assembly based on updates received from the Pension Board from time to time.

cc: Ms. Maria Luiza Ribeiro Viotti, Chef de Cabinet, Executive Office of the Secretary-General
Ms. Janice Dunn Lee, Acting Chief Executive Officer, UNJSPF
Mr. Sudhir Rajkumar, Representative of the Secretary-General for Investments of UNJSPF
Mr. Dennis Thatchaichawalit, Chairperson, UNJSPB Audit Committee
Mr. Arnab Roy, Director, Executive Office of the Secretary-General
Ms. Anjana Das, Executive Secretary, UN Board of Auditors
Mr. Uren Pillay, Executive Secretary, Joint Inspection Unit
Mr. Moses Bamuwanye, Executive Secretary, IAAC
Ms. Heidi Mendoza, Under-Secretary-General, OIOS
Mr. David Kanja, Assistant Secretary-General, OIOS
Mr. Gurpur Kumar, Deputy Director, Internal Audit Division, OIOS
Ms. Maria Elena Munoz, Special Assistant to the USG, OIOS
Ms. Cynthia Avena-Castillo, Professional Practices Section, Internal Audit Division, OIOS

STATUS OF AUDIT RECOMMENDATIONS

Comprehensive audit of the governance structure and related processes of the United Nations Joint Staff Pension Board

| Rec. no. | Recommendation | Critical ¹ / Important ² | C/ O ³ | Action needed to close the recommendation |
|----------|---|---|----------------------|---|
| 1 | The Board should: (a) establish clear terms of reference for its members outlining, inter alia, the desirable competencies for their appointment and any appropriate restrictions or limitations; (b) review its current methodology for self-evaluation to make the exercise more effective and useful. | Important | O | <p>The Board had accepted part (b) of the recommendation but not part (a).</p> <p>In para. 14 of its resolution 73/274, the General Assembly noted that the working group established by the Board will review, inter alia, the terms of reference and self-evaluation methodology of Board members. In para. 15 of the same resolution, the Assembly requested the Board to submit the key findings of this review at the main part of the Assembly's seventy-fourth session.</p> <p>Recommendation 1 remains open pending receipt of evidence that the Board has fully implemented the request of the General Assembly in relation to the terms of reference and self-evaluation methodology of Board members.</p> |
| 2 | The Board should: (a) implement the General Assembly's request to submit proposals for fair and equitable representation of member organizations on the Board to reflect the actual distribution of active participants in the Fund, present and future trends in Fund participation, and the changing nature of the Fund's member organizations; and (b) implement a rotation scheme that allows eligible member organizations to share the rotating seats in a fair and equitable manner. | Critical | O | <p>The Board, with the exception of the representatives of the United Nations participants, had not accepted this recommendation.</p> <p>In para. 14 of its resolution 73/274, the General Assembly noted that the working group established by the Board to consider the issues of participation, rotation and equitable representation will review the composition and size of the Board, allocation of seats on the Board, and implementation of a rotation scheme for adjustment of the Board's composition on a regular basis to allow eligible member organizations to share the rotating seats in a fair and equitable manner. In para. 15 of the same resolution, the Assembly requested the Board to submit the key findings of this review at the main part of the Assembly's seventy-fourth session.</p> <p>Recommendation 2 remains open pending receipt of evidence that the Board has fully implemented the request of the General Assembly in relation to fair and equitable representation of member organizations on the Board, including a scheme to share the rotating seats.</p> |

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

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

³ C = closed, O = open

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| 3 | The Board should determine the number of seats to be allotted to retiree representatives and facilitate their direct election as full Board members with voting rights to ensure transparent and democratic representation of beneficiaries and their interests. | Important | O | <p>The Board, with the exception of the representatives of the United Nations participants, had not accepted this recommendation.</p> <p>In para. 14 of its resolution 73/274, the General Assembly noted that the working group established by the Board will review, inter alia, the composition and size of the Board, including the role of retiree representatives and the modalities for directly electing retiree representatives to the Board. In para. 15 of the same resolution, the Assembly requested the Board to submit the key findings of this review at the main part of the Assembly's seventy-fourth session.</p> <p>Recommendation 3 remains open pending receipt of evidence that the Board has fully implemented the request of the General Assembly in relation to the composition of the Board, the role of retiree representatives and the modalities for directly electing retiree representatives to the Board.</p> |
| 4 | The Board should establish appropriate mechanisms to avoid conflicts of interest between representatives of FAFICS and the management of the Fund. | Important | O | <p>The Board had accepted this recommendation stating that it will establish appropriate mechanisms to avoid conflict of interest between the Fund's management and all the constituent groups of the Board.</p> <p>In para. 25 of its resolution 73/274, the General Assembly reiterated the need to establish appropriate mechanisms to avoid conflicts of interest between the management of the Fund and the constituent groups of the Board, and to report thereon in the context of the Board's next report.</p> <p>Recommendation 4 remains open pending receipt of evidence of the measures implemented by the Board to address the conflict of interest between representatives of FAFICS and the Fund's management since the OIOS report had identified specific concerns in that regard.</p> |
| 5 | The Board should strengthen its governance of the Fund by: (a) increasing the frequency of meetings of the Standing Committee to provide more effective oversight of the Fund's operations; (b) entrusting the Standing Committee to act on the Board's behalf during periods when the Board is not in session; and (c) requiring the Board's other | Critical | O | <p>The Board had stated that it has taken note of this recommendation.</p> <p>In para. 14 of its resolution 73/274, the General Assembly noted that the working group established by the Board will review, inter alia, the usage of the Standing Committee. In para. 15 of the same resolution, the Assembly requested the Board to submit the key findings of this review at the main part of the Assembly's seventy-fourth session.</p> |

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Comprehensive audit of the governance structure and related processes of the United Nations Joint Staff Pension Board

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| | committees and the secretariat of the Fund to periodically submit their reports to the Standing Committee for better oversight and to reduce the burden on the Board's annual sessions. | | | Recommendation 5 remains open pending receipt of evidence that the Board has fully implemented the request of the General Assembly in relation to the Standing Committee. |
| 6 | The Board should retire its Assets and Liabilities Monitoring Committee and reinforce the interaction between the Committee of Actuaries and the Investments Committee to safeguard the Fund's long-term solvency. | Important | O | <p>The Board, with the exception of the representatives of the United Nations participants, had not accepted this recommendation.</p> <p>In para. 14 of its resolution 73/274, the General Assembly noted that the working group established by the Board will review, inter alia, the need for the Assets and Liabilities Monitoring Committee. In para. 15 of the same resolution, the Assembly requested the Board to submit the key findings of this review at the main part of the Assembly's seventy-fourth session.</p> <p>Recommendation 6 remains open pending receipt of evidence that the Board has fully implemented the request of the General Assembly in relation to the need for the Assets and Liabilities Monitoring Committee.</p> |
| 7 | The Board should, in consultation with its Audit Committee, strengthen the criteria for the Committee's membership, its independence and its means to hold the management of the Fund accountable for the accuracy and completeness of the information presented to it. | Important | O | <p>The Board had accepted this recommendation.</p> <p>Recommendation 7 remains open pending receipt of evidence of the measures implemented by the Board to strengthen the criteria for membership of the Audit Committee, as well as its independence and means to hold the Fund's management accountable for the accuracy and completeness of information presented to it.</p> |
| 8 | The Board should: (a) separate the roles of its Secretary and the Fund's Chief Executive Officer; (b) establish its own secretariat that is independent from the management of the Fund; and (c) reconstitute the Executive Office such that it is directly responsible to both entities of the Fund for the provision of administrative services. | Critical | O | <p>The Board, with the exception of the representatives of the United Nations participants, had not accepted parts (a) and (b) of this recommendation. The Board had accepted part (c).</p> <p>In para. 13 of its resolution 73/274, the General Assembly decided to separate the roles of the Secretary and Chief Executive Officer and replace it with two distinct, independent posts – "Pension Benefits Administrator" and "Secretary of the Board" – by no later than January 2020. Additionally, in para. 30 of the same resolution, the General Assembly decided to reconstitute the Fund's Executive</p> |

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| | | | | <p>Office so that it is directly responsible for the provision of administrative services to both entities of the Fund, within existing resources.</p> <p>Recommendation 8 remains open pending receipt of evidence that the Board has fully implemented these decisions of the Assembly.</p> |
| 9 | The Board should: (a) establish mechanisms to ensure that annual performance evaluations of the Chief Executive Officer and Deputy Chief Executive Officer are conducted and documented based on clear metrics to hold them accountable; and (b) ensure that the secretariat of the Fund is held accountable for annually appraising the performance of its staff. | Critical | O | <p>The Board had accepted this recommendation.</p> <p>In para. 28 of its resolution 73/274, the General Assembly requested the Board to review and set key performance indicators for the senior management of the Fund's secretariat and to tie their performance evaluation, in part, to the proportion of cases processed and to the number of outstanding cases.</p> <p>Recommendation 9 remains open pending receipt of evidence of the mechanisms established and measures implemented by the Board to ensure that: (a) annual performance evaluations of the Chief Executive Officer and Deputy Chief Executive Officer are conducted and documented based on clear metrics to hold them accountable; and (b) the senior management of the Fund's secretariat is held accountable for annually appraising the performance of its staff.</p> |
| 10 | The Board should take effective measures to ensure that the secretariat of the Fund sets the appropriate tone at the top with regard to integrity and ethical values. | Critical | O | <p>The Board had accepted this recommendation.</p> <p>Recommendation 10 remains open pending receipt of evidence of the measures implemented by the Board to ensure that the Fund's secretariat sets the appropriate tone at the top with regard to integrity and ethical values.</p> |
| 11 | The Board should: (a) determine the appropriateness of the distribution of resources between programme and support functions; and (b) strengthen monitoring to ensure that the secretariat of the Fund utilizes resources in accordance with legislative decisions. | Important | O | <p>The Board had accepted this recommendation.</p> <p>In para. 32 of its resolution 73/274, the General Assembly recalled the high proportion of resources dedicated to support functions and highlighted the importance of strong monitoring of the use and distribution of resources, including temporary resources, across the Fund's secretariat. The Assembly requested the Board to strengthen monitoring to ensure that the Fund's secretariat utilizes resources in accordance with the Assembly's decisions.</p> |

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| | | | | <p>Recommendation 11 remains open pending receipt of evidence of the mechanisms established and measures implemented by the Board to: (a) determine the appropriateness of the distribution of resources between programme and support functions; and (b) strengthen monitoring to ensure that the Fund's secretariat utilizes resources in accordance with legislative decisions.</p> |
| 12 | <p>The Board should assess the composition and procedures of the search panel for the Deputy Chief Executive Officer in the light of the deviations in and apparent arbitrariness of the process and determine whether the search should be restarted to ensure integrity and fairness in a competitive exercise.</p> | Important | C | <p>The Board had not accepted this recommendation but had stated that it will reflect on the lessons learned for future search panels.</p> <p>OIOS notes that the candidate recommended by the Board for appointment as the Deputy Chief Executive Officer had since withdrawn his candidacy, thereby requiring a restart of the search process to fill the post which has remained vacant since 1 September 2018.</p> <p>In view of the foregoing, Recommendation 12 has been closed.</p> |
| 13 | <p>The Board should ensure proper succession planning for the positions of Chief Executive Officer and Deputy Chief Executive Officer to allow adequate time for their competitive selection based on pre-established procedures.</p> | Important | O | <p>The Board had accepted this recommendation.</p> <p>In para. 16 of its resolution 73/274, the General Assembly urged the Board to ensure timely and proper succession planning for the posts of Chief Executive Officer and Deputy Chief Executive Officer to allow adequate time for a competitive selection process, based on pre-established procedures, that ensures integrity and fairness.</p> <p>Recommendation 13 remains open pending receipt of evidence of the mechanisms established and measures implemented by the Board for timely and proper succession planning for the two posts, including allowing of adequate time for competitive selection based on pre-established procedures.</p> |