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BOARD OF AUDITORS

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**Opening statement to the Fifth Committee
on the United Nations Board of Auditors Report on
United Nations Joint Staff Pension Fund (UNJSPF)
for the financial year ended 31 December 2021
(A/77/5 Add.16)**

November 2022

Mr. Chairman,

Distinguished delegates,

On behalf of the Board of Auditors, it is my privilege to present its report on the United Nations Joint Staff Pension Fund (the Fund) for the financial year ended 31 December 2021.

Audit Opinion

The Board issued an unqualified audit opinion, confirming that the financial statements of the Fund present fairly, in all material respects, the net assets available for its benefits as at 31 December 2021 and the changes in net assets available for benefits and its cash flows for the year then ended, in accordance with the International Public Sector Accounting Standards (IPSAS) and International Accounting Standard 26.

The audit included a general review of the financial systems and internal controls, a test examination of accounting records, and other supporting evidence the Board considered necessary to form an opinion on the financial statements.

The Board also reviewed the Fund's operations under regulation 7.5 of the Financial Regulations and Rules of the United Nations. This allows us to observe the efficiency of the financial procedures, the accounting system, the internal financial controls and, in general, the administration and management of operations.

The Board did not identify significant errors, omissions or misstatements from the review of the financial records of the Fund for the year ended 31 December 2021. However, the Board identified scope for improvement in the areas of data quality, strategic planning, benchmarks, budget management, trade approvals, private markets, brokers and counterparties, and external managers.

In 2021, derived from the spread of the coronavirus disease (COVID-19) in 2020, the volatility of the financial markets continued to impact the return on investments for different industrial sectors. Nonetheless, the value of total investments of the Fund as at 31 December 2021 amounted to \$89.86 billion, reflecting an increase of 11.08 per cent in comparison to the prior year.

As at December 2021, the total assets of the Fund amounted to \$91.77 billion and the total liabilities amounted \$0.31 billion. Net assets available for benefits of \$91.46 billion which represented an increase of \$9.95 billion compared with the increase of \$9.48 billion in 2020. The Fund assets consist mainly of investments, representing 97.92 per cent of the total assets.

The Board issued 21 audit recommendations: 11 related to the Pension Administration, 8 referred to the Office of the Investment Management and 2 related to budgetary issues. All of them were accepted by UNJSPF.

Key findings

Pension Administration

Deficiencies in the implementation of the 2021-2023 strategic plan

The Board observed that, almost 11 months since the start of the implementation of the 2021–2023 strategic plan, the Pension Administration had a list of projects related to the strategy but lacked a formal action plan that encompassed and allowed for the operationalization of the overall strategic plan. The Board noted that the measures designed for the successful implementation of the strategic plan did not ensure that the defined outcomes were fully achieved as expected, nor was the fulfilment of the objectives established for each pillar set out in the overall strategic plan verified. The Board also noted that the Pension Administration had not carried out an analysis or study in order to determine the critical success factors and the most appropriate metrics for each pillar of the strategy.

Data quality issues remaining in 2021

The Board observed several data-quality issues in the census data on active participants and beneficiaries. There were, among others, records that contained null or erroneous values concerning information on the pensionable remuneration rates, records that contained null or erroneous values related to information on two-track benefits, records of participants who had more than two records in the identifier field, records that had the same date of birth for different children and spouses, records showing that the number of children for each participant might be erroneously registered, records of deceased participants that had no date of death, and records with null values on the last contribution date for active and non-deceased persons.

Lack of benchmarks for certain types of benefits calculations and other key processes

The Board identified that the Pension Administration had not implemented benchmarks to measure the processing times for certain types of benefits contemplated in the Regulations, Rules and Pension Adjustment System of the United Nations Joint Staff Pension Fund. It was verified that the current benchmarks covered only the benefits related to retirement, early retirement, disability, withdrawal settlements and survivor's benefits due to death in service when they were initial separation cases, while the rest of the benefits and those that did not belong to initial separation cases were not covered.

Office of Investment Management

Trade approvals made during annual leave or absences of investment officers

The Board verified that fixed-income transactions were approved in the Bloomberg system by an investment officer who was on annual leave during that time. The Board also observed that the Office of Investment Management had not put in place the backup staff necessary to continue operations.

Deficiencies in the brokers and counterparties procedure

The Board observed that the current procedure for brokers and counterparties did not reflect how the evaluation of brokers and counterparties was carried out in practice nor the criteria to remove a broker or counterparty. The Board observed that the procedure did not include which standards should be evaluated in the event of non-compliance by the brokers and counterparties, with the purpose of taking appropriate remedial action. With regard to quarterly monitoring and oversight, the Board identified that only one control was included in the procedure after the selection of the broker or counterparty, namely, the quarterly review comparisons among the list of approved brokers and counterparties and the comparison of their respective pre-approved commission rates with the previous quarterly rates. With regard to the removal process, there was no clear identification of which criteria should be weighed by the Risk Committee to remove a broker or counterparty.

Inadequate broker evaluations

The Board observed that, for foreign exchange transactions, there were brokers considered in the foreign exchange brokerage evaluation report who were evaluated in the first and the second quarter as being satisfactory without presenting foreign exchange transactions or transactions using another type of instrument. For equities transactions, there were brokers considered in the equities brokerage evaluation report who had been assessed as satisfactory; however, those brokers did not perform trades during the evaluated quarters.

Budgetary issues (Pension Fund + OIM)

Significant variances between budget allocations and expenditures

The Board noted that, in the past two budgetary periods (2018–2019 and 2020), expenditure had been lower than appropriations, by 9.47 per cent for the biennium 2018–2019 and by 11.21 per cent for 2020. For 2021, expenditure as at 31 December 2021 followed the same trend from previous years, with underexpenditure of \$11.61 million, or 10.44 per cent. With regard to the Pension Administration, the Board observed that other staff costs and general operating expenses had underexpenditure greater than \$1 million in 2020. For 2021, other staff costs and general operating expenses had underexpenditure of \$2.38 million and \$7.43 million, respectively. With regard to the Office of Investment Management, it was noted that general operating expenses had underexpenditure greater than \$1 million in 2019 and 2020. For 2021, posts and other staff costs had underexpenditure of \$1.91 million and \$0.06 million, respectively.

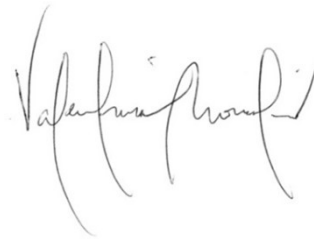
Implementation of previous recommendations

The Board verified the status of implementation of previous years' recommendations for the period ended 31 December 2021. Of the 41 outstanding recommendations, the Fund implemented 26 recommendations (63 per cent). 14 recommendations (34 per cent) were under implementation and one recommendation was overtaken by events (3 per cent).

The Board considers that 63 per cent of the implementation rate indicates a strong commitment of the Fund to manage long-standing recommendations. The Board acknowledges the management's efforts and encourages the Fund to continue this trend.

This concludes my introductory statement. Along with my colleagues, I will be happy to provide any clarifications or additional information that the Committee may require.

Thank you.

A handwritten signature in black ink, appearing to read 'Valentina Monasterio Gálvez', written in a cursive style.

Valentina Monasterio Gálvez
Director of External Audit, Chile
Chairwoman of the Audit Operations Committee