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BOARD OF AUDITORS
NEW YORK
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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 for the year ended 31 December 2016 (A/72/5/Add. 16)

December 2017

Mr. Chairman,
Distinguished Delegates,

On behalf of the Chairman, Mr. Rajiv Mehrishi, Comptroller and Auditor General of India and the other Board Members Professor Mussa Assad, Controller and Auditor General of the United Republic of Tanzania, Mr. Kay Scheller, President of the German Federal Court of Auditors, I have the honour to present the Board's report on the United Nations Joint Staff Pension Fund (UNJSPF) for the financial year ended 31 December 2016.

Audit opinion

UNJSPF obtained a clear (unqualified) audit opinion, which confirms that the financial statements present fairly, in all material respects, the financial position of the United Nations Joint Staff Pension Fund as at 31 December 2016 and its financial performance and cash flows for the year then ended in accordance with the International Public Sector Accounting Standards (IPSAS) and International Accounting Standards (IAS) 26.

Overall conclusion

The Fund needs to strengthen the risk management and control processes besides the investment strategy to achieve the minimum long term required return of 3.5 per cent to achieve fully funded status. The Fund should also take steps to improve performance of its investments and reduce foreign exchange losses. There is also scope for improvement in processing pension benefits and client services, particularly in redressing the complaints of the beneficiaries. The Fund should take proactive steps in collaboration with member organizations to expedite the receipt of the documents required for calculating and awarding pension benefits. There is also a need to streamline the procedures for obtaining the certificate of entitlement and

reconciliation of contributions received from member organizations. I would be discussing the key findings of the report in the later part of my statement.

Financial Position

As at 31 December 2016, the net assets available for benefits in the fund was \$54.49 billion. This represented an increase of \$2.36 billion compared with a decrease of \$753.46 million in 2015.

The total income including contribution to the Fund in 2016 was \$4.94 billion comprising investment income of 2.67 billion (against the investment loss of \$458.26 million in 2015), contributions of \$2.27 billion.

The Fund return (nominal) for the year 2016 was at 5.19 per cent versus 6.9 per cent for the policy benchmark.

Key findings

The report has following key findings:

Actuarial Valuation

Article 12 of the Regulations, Rules and Pension Adjustment System of the Fund provides that the Pension Board shall have an actuarial valuation made of the Fund at least once in three years. Based on examination of the actuarial valuation, the Board found anomalies in the data supplied to actuaries for making calculations. The number of participants as per financial statements of 2015 was 126,892 whereas the actuaries report cited the number as 114,375. Therefore, the Board opined that the valuation done by the actuary was based on inconsistent data and, therefore, not reliable. On being pointed out, the Fund decided not to use the actuarial valuation for disclosure in the notes to the financial statements and instead rolled forward the previous actuarial valuation as on 31 December, 2013 to 31 December, 2016.

Investment Management Division (IMD)

Risk management

In April 2017, the Fund has sub-classified the Risk Budget for Fixed Income, at the Currency and Duration levels. However, for the equities, the Risk Budget has been allocated only based on the equity portfolio by region and no sub-allocation between countries/currencies was made. The Board also observed that no Risk Budget has been prepared for Real Assets, Alternative Investments and Cash and Cash Equivalents.

Foreign Exchange losses

The Fund has been experiencing foreign exchange losses since 2013 which resulted in a total foreign exchange loss of \$4.68 billion. The foreign exchange losses cover all asset classes during 2016. In its previous audits, the Board raised concern over the foreign exchange losses and recommended employing suitable procedures and tools to mitigate them. The Fund informed that procurement of an expert is underway to conduct a formal currency study, which would include a review of foreign exchange exposure and related tools.

Benefits Payment Management

Time taken to process the benefits in IPAS

In 2016, the Fund processed 27 per cent of cases within the benchmark of 15 business days. However, 333 cases or 3.24 per cent took more than a year for processing.

Client Grievance Redressal System

In absence of a documented client grievance redressal mechanism, there is no guidance on segregation, prioritization, and timeline for disposal of queries. There is no centralized system to register the queries by giving it a unique serially controlled tracking number. It is therefore not possible to monitor the action taken and resolution of the issue raised in the query. There is no reporting system in place with respect to monitoring the status of queries.

Status of previous recommendations

The Board followed up on the 26 outstanding recommendations up to the year ended 31 December 2015 and noted that only 5 (19 per cent; in 2015: 25 per cent) had been fully implemented and 21 (81 per cent; in 2015: 58 per cent) were under implementation.

The Board has made 20 recommendations in the present report.

This concludes my introductory statement. My colleagues and I would be happy to provide any clarifications or additional information that the Committee may require.

Thank you.



Anand Mohan Bajaj
Director of External Audit, India
Chair, Audit Operations Committee