

**INTERNAL**

# **AUDIT CHARTER**

UNITED NATIONS JOINT STAFF PENSION FUND



UNITED NATIONS

## INTERNAL AUDIT CHARTER

### Introduction

This Charter was established by the management of the United Nations Joint Staff Pension Fund (“UNJSPF” or “Pension Fund”) in accordance with the standards promulgated by the Institute of Internal Auditors. The main purposes of the UNJSPF Internal Audit Charter are to institutionalize the internal audit function for the Pension Fund, reaffirm the principles that underpin the function, and define the pertinent conditions and procedures for the effective and efficient delivery of internal audit services. Through this Charter the Pension Fund wishes to confirm its desire that the performance of the internal audit function incorporate commonly accepted industry standards. This Charter was initially approved by the Pension Board at its 52nd session in 2004.

As part of its ongoing efforts to improve operational processes and strengthen internal control mechanisms, Pension Fund’s management recommended and the United Nations Joint Staff Pension Board (“UNJSPB” or “Pension Board”), at its 53rd session in 2006 with the concurrence of the General Assembly during the same year, approved the establishment of an Audit Committee. The Audit Committee was established as an advisory committee of the Pension Board to provide assistance to the Board in fulfilling its oversight responsibility relating to

- (a) the performance and independence of the internal audit function;
- (b) the accounting and financial audit reporting processes of the United Nations Joint Staff Pension Fund (UNJSPF or the Fund);
- (c) adherence to the Internal Audit Charter of the Fund, and UNJSPF regulations and Administrative Rules relating to audits.

The main objectives of the Committee are to:

- (a) Provide general oversight and offer recommendations for the Fund’s audit arrangements, including both internal and external auditing;
- (b) Oversee the work of the Internal Auditors and consider the scope, particularly concerning risk management, results and effectiveness of the audit reports;
- (c) Consider the scope and recommendations in the Board of Auditors’ reports and management letters as well as actions taken to implement the Board of Auditors’ recommendations; and
- (d) Review and assess, from time to time, the adequacy of the Internal Audit Charter, and recommend amendments thereto to the Board.

The Pension Board also approved Terms of Reference for the Audit Committee, a copy of which can be found on the Fund's website at [www.unjspf.org](http://www.unjspf.org), and are included by reference in the Fund's Rules of Procedure.

Article 14(b) of the Regulations of the United Nations Joint Staff Pension Fund provides for an audit of the accounts of the Pension Fund *"by the United Nations Board of Auditors, in a manner agreed between the Board of Auditors and the Pension Board"*. As a complement to the Fund's Regulations, the Internal Audit Charter institutionalizes the internal audit function of the Pension Fund and defines the pertinent conditions and procedures for the effective and efficient delivery of internal audit services.

The general responsibility for the administration of the Pension Fund is vested in the Chief Executive Officer of the Fund (CEO), who is also the Secretary of the Board (article 7 of the Fund's Regulations). The fiduciary responsibility for deciding upon the investment of the assets of the Pension Fund rests with the Secretary-General of the United Nations (article 19 of the Fund's Regulations), a function that he has delegated to the Representative of the Secretary-General for the investments of the Fund (RSG), who reports directly to the Secretary-General. In turn, the RSG has delegated responsibility for the management of the investments to the Investment Management Division (IMD) of the Pension Fund. In addition, all the UNJSPF member organizations, participants and beneficiaries are stakeholders in the Pension Fund and thus have a critical interest in its effective and efficient management.

It is important that the internal audit function for the UNJSPF be discharged in a seamless manner if it is to achieve its purpose of being an efficient and effective tool for the management of the Pension Fund. Hence, this Charter defines in specific terms the general framework of internal audit, the mandate, authority and responsibility of the Internal Auditors, as well as the responsibility of the CEO and the RSG.

The Internal Auditors shall perform their internal audit mandate within the following framework:



## General framework

### Mission of internal audit

1. The internal audit function and the role of the internal auditors are driven by the desire of management to have an organizational element serving as a management tool that assists the CEO, the RSG and IMD, in relation to investments, and focuses its attention on the processes and internal working methods to ensure accuracy of information on, and efficiency and effectiveness of, operations. Within the clear and comprehensive framework of this Charter, the Internal Auditors will perform their function freely, objectively and professionally.

### Standards of internal audit

2. This Internal Audit Charter articulates the scope of the “internal audit” work to be conducted and the standards expected of the Internal Auditors by the Pension Fund. In that respect, the Charter incorporates commonly accepted industry norms for the performance of the internal audit function of pension funds, in the context of an inter-agency entity, which is an integral part of the United Nations common system of conditions of service and organizations. More specifically, all internal audits will be conducted by the Internal Auditors in accordance with the Regulations of the Pension Fund, the standards promulgated by the Institute of Internal Auditors (IIA) and the standards for the professional practice of internal auditing in the United Nations Organizations as adopted by the Representatives of Internal Audit Services (RIAS) of the United Nations Organizations and Multilateral Financial Institutions.

### Reporting

3. This Internal Audit Charter also establishes comprehensive guidelines for the conduct of audits, consultations and reporting. On that basis, the Charter sets out the conditions for agreement between the Internal Auditors and the CEO and the RSG on all pertinent internal audit issues. The Internal Auditors will report to the CEO, on the activities of the Pension Fund. The results of internal audits of the investment activities will be reported to the Secretary-General of the United Nations, through the RSG, and simultaneously to the Fund’s CEO. The final audit reports shall be then submitted to the Audit Committee. On this basis the Audit Committee will oversee the use of all audit resources (internal and external), the implementation of audit plans, risk management and internal control framework of the Pension Fund, and the cost effective implementation of audit recommendations by the Fund’s Secretariat and IMD.
4. The Audit Committee reports annually on its activities to the Pension Board, the periodic reports of Internal Auditors are included in that report.
5. Upon written request to the Pension Board through a member organization’s staff pension committee, internal audit reports may also be made available to the internal auditors of the member organizations of the Fund, with the concurrence of the CEO and that of the RSG, in relation to investments. When reviewing these reports, internal auditors of the UNJSPF member organizations shall protect the possible confidential nature of the documents as well as privacy of the individuals concerned.



## Mandate

6. The Internal Auditors will operate within a framework that includes the following key components of the internal audit function:
  - (a) Comprehensive risk assessment, by nature of area of activity, prior to the commencement of an audit cycle.
  - (b) Preparation by the Internal Auditors of the annual workplan, in consultation with the CEO and, regarding investments, the RSG. The Audit Committee reviews and endorses the annual audit plans.
  - (c) Consultation between the UNJSPF and the Internal Auditors on the scope and timing of the audit programme.
  - (d) Agreement on the resources requested, on a fee-for-service basis, for the internal audit programme in each biennium.
  - (e) Consultation on the specific terms of reference for each audit mission.
  - (f) Conduct of all internal audits in accordance with established standards.
  - (g) Agreement on the procedure for submission to the CEO and, where appropriate, to the Secretary-General through the RSG, of reports on, or the results of, internal audits carried out by the Internal Auditors.
  - (h) Agreement on the submission of final audit reports to the Audit Committee.
  - (i) Procedures for follow-up actions on audit recommendations.
  
7. The Internal Auditors will audit, examine and evaluate the activities of the Fund. Their primary function is to ensure that operating efficiency is promoted, risk is properly managed, safeguards for the protection of Pension Fund's assets are strengthened, and compliance is maintained with the Regulations and Rules of the Fund and the decisions, mandates and guidelines issued by the Pension Board and the General Assembly. In accomplishing their mandate, the Internal Auditors will:
  - (a) Provide a wide range of quality independent internal auditing services in a cost-effective manner.
  - (b) Perform independent assessment of systems controls and efficiencies, guided by professional standards and using established as well as innovative approaches.
  - (c) Provide advice to the CEO and management staff, as well as to, regarding investments, the RSG, in achieving approved goals and effectively discharging their responsibilities.

- (d) Emphasize the promotion of adequate and effective internal controls, at a reasonable cost, and suggest improvements of economy and efficiency in the Fund's operations.
  - (e) Recommend to the CEO and, regarding investments, the RSG, the engagement of outside specialized auditing expertise when such expertise is not available within the group of Internal Auditors, and support the Fund's efforts to achieve its objectives when independent consulting services are necessary elsewhere in the Fund.
  - (f) Upon request from the CEO or, regarding investments, the RSG, the Internal Auditors will undertake the following tasks, or recommend the contracting of outside specialized expertise to do so:
    - (i) Conduct pre-implementation assessments of new systems; and
    - (ii) Provide input on the security and control aspects of systems during the design and implementation phases of new systems, projects and programmes.
8. In their use of audit resources, the Internal Auditors will take into account, inter alia, the work of the United Nations Board of Auditors in order to achieve optimum use of overall audit resources, as well as of the staff of the Fund when their assistance and support are required in the conduct of the audits. This can only be achieved through close coordination of internal and external audit plans.
9. The Internal Auditors will strive to establish and maintain a dynamic, team-oriented working environment within the audit group, which promotes personal and professional growth and challenges the staff to excel and reach their full potential.

# IV

## **Authority**

10. The Internal Auditors shall have complete access to all Pension Fund records, files, documents, accounts, physical property and personnel, including the Investment Management Division, as required during the conduct of their audit assignments. This shall also cover the records, all information systems, and reports of organizations and/or entities whose services are contracted by the Pension Fund Secretariat or IMD.







## Responsibilities

11. The Internal Auditors shall be responsible for all aspects of the internal auditing of the UNJSPF in accordance with the standards for the professional practice of internal auditing in the United Nations Organizations as adopted by the Representatives of Internal Audit Services of the United Nations Organizations and Multilateral Financial Institutions, and the standards promulgated by the Institute of Internal Auditors. Their work shall be guided at all times by their overall assessment of the risks involved for the Pension Fund and by recognition of the need for complete implementation of the approved annual audit plans.
12. The annual audit workplan shall be prepared in consultation with the CEO and, regarding investments, the RSG. The Audit Committee then reviews and endorses the annual work plans. Although internal audit is an independent mechanism for the review of decisions and/or actions already taken, because of the extent of potential risks, an immediate review or assessment may at times be required. Any changes which are deemed necessary by the Internal Auditors shall be discussed with the CEO and, where appropriate, with the RSG as well as the Audit Committee.
13. The CEO and, regarding investments, the RSG, shall be given adequate notice prior to the commencement of an audit assignment. An opening conference will be held which will include the objectives of the audit assignment. The CEO's or the RSG's opinion shall be fully taken into account in determining the audit objectives, resources and timeframe. In addition to regular communication with the Fund's personnel during the course of the audit assignment, an audit exit conference will be conducted for the purpose of discussing the audit findings and recommendations. A final audit communication shall be sent to the CEO and, regarding investments, the RSG, for their comments on the audit findings and recommendations. The final comments of management are presented in their entirety in the audit reports.
14. The specific responsibilities of the Internal Auditors include the duty to:
  - (a) Establish policies for conducting internal audit activities, within the context of the Pension Fund's Regulations, Rules and policies, and of the general management direction set by the CEO and, regarding investments, by the RSG.
  - (b) Use an organization-wide risk assessment, scheduling on a regular basis internal audits of all operating units and major functional activities within the Pension Fund, in order to assist in ensuring that the Fund follows established and adequate risk management practices.
  - (c) Submit to the CEO and, regarding investments, the RSG, for consultation, the entire audit programme and annual audit plans which include audit goals and objectives, the risk assessment process used to identify the audit goals and objectives, and an audit work schedule. The Audit Committee endorses annual internal audit programme and audit plans.



- (d) Ensure that the resources for the internal audit function of the Fund are efficiently and effectively used.
- (e) Evaluate UNJSPF activities and programmes to determine whether they are operating within the highest fiduciary standards and are directed exclusively toward the benefit of the Pension Fund's participants, retirees and beneficiaries, as well as of the member organizations of the Pension Fund.
- (f) Examine and evaluate the adequacy and effectiveness of internal controls. These audits will comprise:
  - (i) Reviewing and assessing the management controls used by the Pension Fund to address business and operating risks;
  - (ii) Determining that all Pension Fund operating units are complying with the prescribed Regulations, Rules, policies and procedures of the Fund;
  - (iii) Reviewing controls to ensure that assets are accounted for and safeguarded;
  - (iv) Ascertaining that accounting and other data developed for management are reliable and relevant.
- (g) Audit and report on the administration of the Pension Fund's operations, including the performance of services by outside contractors. The internal audits will also include the identification of opportunities for cost reduction and performance improvement. Such activities of the Internal Auditors will also include giving assurance that operations are managed in a reasonable, responsive and consistent manner, and utilize integrated, cost-effective, secure, and competent service standards.
- (h) Report promptly in writing the results of internal audits and any related opinions and recommendations, to ensure that appropriate action is taken with respect to any deficiency noted, as required; and to inform and advise in respect of significant deficiencies or other substantive issues that may be noted in the course of the Internal Auditors' activities.
- (i) Evaluate plans for action and their implementation, designed to correct reported conditions, for satisfactory resolution of audit findings. If the action for resolution is considered unsatisfactory, the Internal Auditors will seek further discussions with the CEO and, regarding investments, the designated RSG, or the Audit Committee as seen necessary, to achieve a satisfactory resolution in accordance with the Regulations, Rules and procedures of the Pension Fund.
- (j) In formulating their audit recommendations, to specify appropriate corrective measures, including the identification of opportunities for cost reduction, performance and process improvement, and to indicate the priority or degree of importance of these recommendations and the resources needed to implement them within a reasonable period of time; the aim is to provide guidance to the CEO and the RSG, in relation to investments, in identifying priorities. The specific recommendations should be reflected in the final audit report.

- (k) Communicate, within a reasonable period of time after completion, the results of the audit to the CEO and the RSG, relating to investments, or to their responsible staff. The auditees should be given the opportunity to provide their comments, including their comments on or disagreement with the audit observations, findings and conclusions as well as with the proposed corrective actions or recommendations. The comments of the CEO and the RSG, relating to investments, indicating their agreement and/or disagreement with the audit conclusions and recommendations, shall be reflected in the final audit report in their entirety. Upon their completion, the final reports are communicated to the Audit Committee.
- (l) Review and follow up, from time to time, on the implementation of audit recommendations of previous audits conducted.
- (m) Prepare, well before the Audit Committee meetings, regular summary reports to the Audit Committee on the audit findings, including the Internal Auditors' assessment of the extent of implementation of audit recommendations; the implementation and/or causes for non implementation will also be indicated in this report.
- (n) Respond to any specific requests for special audits by the CEO and, regarding investments, the RSG.
- (o) While maintaining due professional care in performing their work, respect the inter-agency nature of the UNJSPF and the rights and status of its staff.
- (p) Submit all reports, opinions, recommendations and other documents, as described above, under the heading "Reporting".
- (q) Take part in the annual meeting of the Fund-wide ad hoc Committee on the Implementation of Audit recommendations of the Fund.



## Independence and Competencies

15. When discharging their work, the Internal Auditors will at all times maintain and safeguard their independence, objectivity and professionalism. They must be able to act independently and objectively when conducting all internal audits. It is essential that their operation be free of any influence, actual or perceived, which would curtail freedom of action or otherwise impair the Internal Auditors' objectivity in the performance of audits. To this end, the Director of the Internal Auditors will be free to identify activities to be audited, and recommend the conduct of related audits to the CEO and, regarding investments, to the designated Representative of the Secretary-General, or to the Audit Committee, as seen appropriate. The CEO and the RSG may request the conduct of specific audits, which are in the interest of the Pension Fund.
16. The Internal Auditors must avoid being placed in situations, which might create conflicts of interest that may impair their judgement on audit matters. They must also exercise proper diligence in pursuing audit issues in order to provide an adequate assessment of audit findings, observations and comments. They must also be able to develop relevant and constructive audit recommendations. The Internal Auditors must adhere in their work to the profession's code of conduct and standards of performance of the United Nations Organizations as adopted by the Representatives of Internal Audit Services of the United Nations Organizations and Multilateral Financial Institutions, and the standards promulgated by the Institute of Internal Auditors.
17. The Internal Auditors should not be limited in covering adequately the planned scope of their audit work, either by lack of staff resources of UNJSPF made available to assist them in their work or by the absence of documents and/or adequately prepared financial and other records. If such instances occur, the Internal Auditors should immediately bring that to the attention of the CEO, and the RSG, in the case of investments, or the Audit Committee as seen appropriate, for their proper action or decision that would help facilitate the completion of the audit work.
18. The Internal Auditors must ensure that their competencies, professional conduct and skills are continuously updated, and that they are trained in relevant audit methods and processes, particularly in the use of current best practices in the audit and investment fields.
19. The Internal Auditors shall prepare and maintain adequately written audit programmes and work papers as evidence of the work done. This documentation can then also be used by the External Auditors in their assessment of internal audit work.
20. The Internal Auditors will have no direct responsibility or authority over any of the activities audited. In this connection, the Internal Auditors will not design, install or operate any programme or system, or engage in any other activity that could reasonably be construed as compromising their independence and objectivity.

# VII

## Responsibilities of the CEO and the RSG

21. The CEO and the RSG, in respect of investments, assume the following responsibilities:
- (a) To use internal audit as a management tool in the efficient and effective management of the Fund's assets and liabilities.
  - (b) To make themselves and their staff available, as required, for consultations, discussions and meetings, in the formulation of internal audit plans and programmes, development and execution of risk assessment methodologies, and in responding to audit queries and drafts of audit reports.
  - (c) To ensure that the resources available and committed to the implementation of the agreed upon audit plan and specific internal audit assignments are provided in a timely manner.
  - (d) To implement the audit recommendations within the indicated and agreed timeframe, while endeavoring to reach a reasonable resolution of issues in cases of any management disagreement with those audit recommendations.



