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INTEROFFICE MEMORANDUM **MEMORANDUM INTERIEUR**

TO: A: Mr. Gurpur Kumar, Deputy Director
Internal Audit Division, OIOS

DATE: 25 July 2012

REFERENCE: IAD:12-00528

THROUGH: S/C DE:

FROM: DE: Suzanne Bishopric, Director
Investment Management Division,UNJSPF

SUBJECT: OBJECT: IMD response to OIOS Assignment No. AS2011/801/04 - Audit of IMD Strategy and Preparedness for Alternative Investments

Reference is made to your memorandum dated 28 June 2012 providing the report on the above mentioned audit.

Please find attached the Annex to the audit recommendations which details IMD's responses to the findings.

IMD would like to thank OIOS for its thoughtful assessment of this important and timely subject matter.

cc: Warren Sach
Dmitri Dovgopoly
Toru Shindo
Ajit Singh
Pirjo Sinikallio
Daniel Willey
OIOS, William Petersen, Qichun He, Ahsan Nabi, Amy Wong

ANNEX I

AUDIT RECOMMENDATIONS

Audit of IMD Strategy and Preparedness for Alternative Investments

Rec. no.	Recommendation	Critical[1]/ important[2]	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
1	IMD should decide upon and document in the Investment Policy the long-term strategic allocation targets for alternative assets.	Important	Yes	Suzanne Bishopric, Terezie Hesounova	30 June 2013	IMD agrees with this recommendation and the RSG has established targets for incorporation into its Investment Policy. This matter was addressed at the May meetings of the Investments Committee. The Investment Policy will be amended accordingly.
2	IMD should develop a long-term strategic plan supplemented by annual tactical plans to implement the alternative investments programme.	Important	Yes	Suzanne Bishopric Terezie Hesounova,	30 June 2013.	The Advisor contract has been executed. A long term plan is being developed with the assistance of the advisor and will be presented to the Investments Committee.
3	IMD should consolidate, enhance and formalize the policies and procedures for alternative investments according to industry best practices.	Important	Yes	Suzanne Bishopric, Terezie Hesounova	30 June 2013.	Such policies and procedures as described are being developed and should be completed by June 2013.
4	IMD should align its capacity, including both internal and external resources, required for implementing the alternative investments programme with the long-term strategy for alternative investments, and develop a contingency plan for the scenario that technically strong advisors may not be	Important	Yes	Suzanne Bishopric, Terezie Hesounova	30 June 2013	Such capacity and strategy as described takes time to develop, but substantial progress has been made, including the retention of TorreyCove for Private Equity. The recruitment of the P-4 Investment Officer and the HFOF Advisory

[1] Critical recommendations address significant and/or pervasive deficiency or weakness in governance, risk management or internal control processes, such that reasonable assurance cannot be provided regarding the achievement of control and/or business objectives under review.

2 Important recommendations address important deficiencies or weaknesses in governance, risk management or internal control processes, such that reasonable assurance may be at risk regarding the achievement of control and/or business objectives under review.

Rec. no.	Recommendation	Critical[1]/ important[2]	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
	technically strong advisors may not be contracted timely.					Officer and the HFOF Advisory contract are well underway. The expected completion date for developing such capacity and strategy, subject to budget limitations, is 30 June 2013.