



**AUDIT**

**OF**

**ADMINISTRATIVE AGENT FUNCTION**

**FOR**

**THE SUSTAINABLE DEVELOPMENT GOALS FUND**

**OF THE**

**MULTI-PARTNER TRUST FUND OFFICE IN NEW YORK**

**Report No. 1785**  
**Issue Date: 2 May 2017**

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## Report on the Audit of Administrative Agent Function for the Sustainable Development Goals Fund Executive Summary

The UNDP Office of Audit and Investigations (OAI) from 28 February to 10 March 2017, conducted an audit of the Administrative Agent (AA) function for the Sustainable Development Goals Fund (SDG-F), which is under the responsibility of the Multi-Partner Trust Fund Office (the Office). The audit aimed to assess the adequacy and effectiveness of the governance, risk management and control processes relating to the performance of the AA function for the SDG-F by the Office. More specifically, the audit assessed the adequacy of:

- (a) governance and related controls (organizational structure, segregation of duties, internal monitoring and reporting);
- (b) accounting for source of funds (donor contributions and interest income);
- (c) accounting for use of funds (transfer of funds to Participating United Nations Organizations [PUNOs], AA fee and direct costs);
- (d) donor reporting on narratives and certified financial report on sources and use of funds; and
- (e) expense reporting by PUNOs through the UNEX System (a web-based interface system that participating organizations use to report expenditure data).

The audit covered the activities of the AA function for the SDG-F, as fulfilled by the Office, from 1 January 2015 to 31 December 2016. During the period under review, the SDG-F recorded funds received totalling \$12.7 million and funds transferred/disbursed totalling \$21.6 million. This was the first audit of the AA function for the SDG-F.

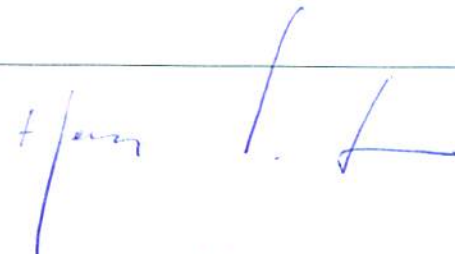
The audit was limited to the functioning of the AA and the management of financial resources. It did not cover financial management at the level of PUNOs.

The audit was conducted in conformance with the *International Standards for the Professional Practice of Internal Auditing*.

### Overall audit rating

OAI assessed the AA function for the SDG-F as **satisfactory**, which means, "The assessed governance arrangements, risk management practices and controls were adequately established and functioning well. Issues identified by the audit, if any, are unlikely to affect the achievement of the objectives of the audited entity/area."

The audit did not result in any recommendations.



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## I. About the Sustainable Development Goals Fund

The Sustainable Development Goals Fund (SDG-F) is a multi-donor and multi-agency development cooperation mechanism that was created in 2014 by UNDP, on behalf of the United Nations system, with an initial contribution from the Government of Spain to support sustainable development activities through integrated and multi-dimensional joint programmes. It builds on the experience, knowledge, lessons learned, and best practices of the Millennium Development Goals, while expanding its activities towards sustainable development and more attention on public-private partnerships. Gender and women's empowerment is a cross-cutting priority in all areas of work. Its main objective is to bring together United Nations agencies, governments, academia, civil society and business to address the challenges of poverty, promote the 2030 Agenda for Sustainable Development and achieve SDGs.

The UNDP Multi-Partner Trust Fund Office (the Office) serves as the Administrative Agent (AA) and is responsible for concluding the memorandum of understanding with Participating United Nations Organizations (PUNOs). It receives and administers funds approved by the SDG-F Steering Committee.

From its inception up to the end of December 2016, the SDG-F received a total of \$57.9 million in contributions and disbursed a total of \$28.8 million (50 percent) to PUNOs. Of the amounts disbursed, the PUNOs reported expenditure totalling \$11.9 million (41 percent) by 30 September 2016. Final 2016 expenses would be reported by 30 April 2017 as per the memorandum of understanding.

**Table 1. Fund Overview Administrative Agent 2014-2016** (Source: GATEWAY<sup>1</sup>)

Funds with Administrative Agent	As of 31 Dec 2014 (\$)	As of 31 Dec 2015 (\$)	As of 31 Dec 2016 (\$)
Deposits <sup>2</sup>	45,162,773	56,612,858	57,893,817
Interest and Investment Income (from Fund)	126,297	247,000	421,071
Interest (from Participating Organizations)	-	-	123
<b>Total source of funds *</b>	<b>45,289,070</b>	<b>56,859,858</b>	<b>58,315,012</b>
Transferred to Participating Organizations*	7,185,908	17,559,842	28,797,987
Refunds from Participating Organizations	-	(10,000)	(116,963)
Administrative Agent Fee <sup>3</sup>	451,628	566,128	578,938
Direct Cost <sup>4</sup>	6,629,995	6,629,995	9,505,136
Bank Charges	3,125	4,141	5,104
<b>Total use of funds</b>	<b>14,270,655</b>	<b>24,750,106</b>	<b>38,770,201</b>
<b>Balance with Administrative Agent</b>	<b>31,018,414</b>	<b>32,109,752</b>	<b>19,544,810</b>
As a percentage of contributions	68.7%	56.7%	33.5%

\* The SDG-F recorded funds received totalling \$12.7 million and funds transferred/dispursed totalling \$21.6 million from 1 January 2015 to 31 December 2016.

<sup>1</sup> GATEWAY is the digital on-line portal created by the Office to record and monitor the financial and programme activity related to the pooled funds of which the SDG-F is a part.

<sup>2</sup> SDG-F is a successor of the MDG Achievement Fund and is principally financed with the remaining balance of funds carried over from the MDG Achievement Fund as per the Administrative Agreement signed on 12 December 2013 between the Government of Spain and UNDP. The Government of Spain transferred to SDG-F \$45.2 million from December 2013 to December 2014 and \$12.7 million from December 2015 to December 2016, or a total of \$57.9 million.

<sup>3</sup> The Administrative Agent fee is calculated based on 1 percent of the Deposits according to the 'Administrative Agreement for Spanish Fund for Sustainable Development Goals'.

<sup>4</sup> This amount represents the costs to cover the budget of the SDG-F Secretariat.

**Table 2. Fund Overview Participating Organizations 2014-2016** (Source: GATEWAY)

<b>Funds with Participating Organizations</b>	<b>As of 31 Dec 2014 (\$)</b>	<b>As of 31 Dec 2015 (\$)</b>	<b>As of 31 Dec 2016 (\$)</b>
Transferred to Participating Organizations	7,185,908	17,559,842	28,797,987
<b>Total resources</b>	<b>7,185,908</b>	<b>17,559,842</b>	<b>28,797,987</b>
Participating Organizations' Expenditure	267,082	6,425,702	12,843,353
Refunds from Participating Organizations	-	10,000	116,963
<b>Total expenses</b>	<b>267,082</b>	<b>6,435,702</b>	<b>12,960,316</b>
<b>Balance with Participating Organizations</b>	<b>6,918,826</b>	<b>11,124,139</b>	<b>15,837,671</b>
As a percentage of transfers	96.3%	63.3%	55.0%

## II. Audit results

The audit was limited to the functioning of the AA and the management of financial resources. It did not cover financial management at the level of PUNOs.

Satisfactory performance was noted in the following areas:

### (a) Governance and related controls

The legal framework documents 'Memorandum of Understanding for Sustainable Development Goals Fund' and the 'Administrative Arrangement for Spanish Fund for Sustainable Development Goals', set forth the roles and responsibilities of the Office as the AA for the SDG-F. The organizational set-up of the Office provided adequate segregation of duties in managing and accounting for funds. A key control was in place to monitor the Office's performance with regard to the timeliness of disbursements to PUNOs. The reporting process was determined by strict deadlines as set forth by the legal framework documents. Furthermore, the elements of the reporting process, such as certified annual financial statements and IT systems were generally conducive to accurate and timely reporting and were working well.

### (b) Accounting for source of funds

The Office established financial controls that allowed adequate and accurate accounting of funds provided to the SDG-F. The review of five contributions totalling \$12.7 million (or 100 percent total contributions during the audit period) disclosed that they were recorded in accordance with the signed agreements and the established policies and procedures. OAI also verified that the interest income was properly accounted for.

### (c) Accounting for the use of funds

The Office established financial controls that allowed adequate and accurate accounting of funds disbursed on behalf of the SDG-F. The review of 25 disbursements totalling \$12.8 million (or 59 percent of the total disbursements made during fiscal years 2015 and 2016 amounting to \$21.6 million) disclosed that the disbursements were duly approved by the SDG-F Secretariat and were processed in accordance with the 'Memorandum of Understanding for Sustainable Development Goals Fund' and with the established policies and procedures. OAI further verified that the AA fees and direct costs were properly calculated and recorded.

(d) Financial reporting on sources and use of funds

The amounts in the fiscal year 2015 financial reports co-signed by the UNDP Chief Finance Officer and the Executive Coordinator of the Office agreed with the information posted by the PUNOs to the Office's portal. The consolidated annual progress report on activities implemented under the SDG-F in 2015 was prepared. However, its issuance was delayed by approximately two months (refer to Issue 1 for details).

(e) Expense reporting by the PUNOs through the UNEX System

All PUNOs duly reported their fiscal year 2015 expenses through the UNEX system in 2016.

## A. Reporting to Donors

### Issue 1 Delayed issuance of consolidated annual progress report

According to the memorandum of understanding signed between the PUNO and the Office in 2014, the Office will provide donors, the Steering Committee, and PUNOs, annual reports on the progress of implementation of activities and financial status, which should be available on the Office's GATEWAY no later than five months after the end of the calendar year. The SDG-F Secretariat is responsible for consolidating progress reports on activities from the field while the Office is responsible for preparing financial status reports.

OAI noted that the issuance of the consolidated annual progress report on activities implemented under the SDG-F in 2015 was delayed by approximately two months. The deadline for the completion of the report was 31 May 2016. However, the report was not uploaded to the Office's GATEWAY until 3 August 2016.

The delay was due to issues in consolidating the narrative portion of the report, which was coordinated by the SDG-F Secretariat. OAI did not note delays in preparing the financial portion of the report by the Office.

The reporting delays may negatively affect donor relations and working relationships with the Steering Committee and PUNOs. The delays may also negatively affect the reputation of the Office as the provider of AA functions for pooled funds.

#### **OAI comment**

Since the cause of the delay in issuing the final report was beyond the control of the Office, OAI did not make a recommendation. The issue on delayed preparation of the narrative portion of the progress report will be reviewed further during the audit of the SDG-F Secretariat, which will be conducted in 2017.

## Definitions of audit terms - ratings and priorities

### A. AUDIT RATINGS

- **Satisfactory** The assessed governance arrangements, risk management practices and controls were adequately established and functioning well. Issues identified by the audit, if any, are unlikely to affect the achievement of the objectives of the audited entity/area.
- **Partially Satisfactory / Some Improvement Needed** The assessed governance arrangements, risk management practices and controls were generally established and functioning, but need some improvement. Issues identified by the audit do not significantly affect the achievement of the objectives of the audited entity/area.
- **Partially Satisfactory / Major Improvement Needed** The assessed governance arrangements, risk management practices and controls were established and functioning, but need major improvement. Issues identified by the audit could significantly affect the achievement of the objectives of the audited entity/area.
- **Unsatisfactory** The assessed governance arrangements, risk management practices and controls were either not adequately established or not functioning well. Issues identified by the audit could seriously compromise the achievement of the objectives of the audited entity/area.

### B. PRIORITIES OF AUDIT RECOMMENDATIONS

- **High (Critical)** Prompt action is required to ensure that UNDP is not exposed to high risks. Failure to take action could result in major negative consequences for UNDP.
- **Medium (Important)** Action is required to ensure that UNDP is not exposed to risks. Failure to take action could result in negative consequences for UNDP.
- **Low** Action is desirable and should result in enhanced control or better value for money. Low priority recommendations, if any, are dealt with by the audit team directly with the Office management, either during the exit meeting or through a separate memo subsequent to the fieldwork. Therefore, low priority recommendations are not included in this report.