

**UNITED NATIONS DEVELOPMENT PROGRAMME**  
**Office of Audit and Investigations**



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**CONSOLIDATED REPORT**

**ON**

**THE AUDITS OF THE SUSTAINABLE DEVELOPMENT GOALS FUND**

**Report No. 1964**

**Issue Date: 18 May 2018**

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## Consolidated Report on the Audits of Sustainable Development Goals Fund Executive Summary

### Background

The members of the United Nations Representatives of Internal Audit Services (UN-RIAS) agreed to undertake a joint audit of the Sustainable Development Goals Fund (SDG-F) based on an audit risk assessment carried out by the UNDP Office of Audit and Investigations (OAI) in 2016.

This consolidated summary audit report presents the main audit issues and recommendations and status of their implementation from audits of the SDG-F carried out by the Internal Audit Services of the Participating United Nations Organizations. The joint audit was conducted in accordance with the Framework for Joint Internal Audits of United Nations Joint Activities (the Framework) endorsed by the UN-RIAS. The audits were conducted in conformance with the *International Standards for the Professional Practice of Internal Auditing*.

From its inception up to the end of December 2016, the SDG-F received a total of \$58 million in contributions and disbursed a total of \$28.8 million (50 percent) to Participating United Nations Organizations. Of the amounts disbursed, the Participating United Nations Organizations reported expenditure totalling \$11.9 million (41 percent) by 30 September 2016.

### Audit scope and results

The joint audit of the SDG-F comprised of the following audits:

1. Audit of the Administrative Agent function conducted by OAI/UNDP, which covered the period from 1 January 2015 to 31 December 2016. The audit resulted in a 'satisfactory' rating and the report did not contain a recommendation (OAI Report No. 1785, issued on 2 May 2017).
2. Audit of the Joint Programme in Colombia conducted by OAI/UNDP, which covered the period from 1 January 2015 to 30 April 2017. The audit resulted in a 'satisfactory' rating and the report contained three recommendations (OAI Report No. 1810, issued on 18 September 2017).
3. Joint audit of the governance arrangements of the SDG-F and carried out by an inter-agency team of auditors from OAI/UNDP; the Office of Internal Audit and Oversight of the ILO (IAO); and the Office of Audit and Investigations of UNICEF (OIAI). The joint audit covered the period from 1 December 2013 to 30 April 2017. The audit resulted in an 'unsatisfactory' rating and the report had seven recommendations (OAI Report No. 1885, issued on 30 November 2017).

### Management comments and action plans

The Director of the SDG-F Secretariat, along with the Convening Agency, and the Participating United Nations Organizations, accepted all recommendations and are in the process of implementing them.

Management comments and/or additional information provided have been incorporated in the respective reports, where appropriate.



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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 governance and management of the SDG-F is comprised of (a) the Steering Committee, (b) the Secretariat, and (c) the Multi-Partner Trust Fund Office. The Steering Committee consists of the donor(s) and UNDP. The Secretariat plays a key role in the governance of the SDG-F. The Multi-Partner Trust Fund Office located in New York serves as the Administrative Agent for the SDG-F.

As of 31 December 2016, the SDG-F received \$58 million in contributions and disbursed a total of \$28.8 million to Participating United Nations Organizations. The Secretariat charged \$9.5 million for direct costs, which included global programmes, staff and operations expenses (*refer to Table 1*).

**Table 1. Fund Overview – Administrative Agent as of 31 December 2016**

Funds with Administrative Agent	Amount (\$)
Deposits <sup>1</sup>	57,893,817
Interest and Investment Income (from Fund)	421,071
Interest (from Participating Organizations)	123
<b>Total source of funds *</b>	<b>58,315,012</b>
Transferred to Participating Organizations	28,797,987
Refunds from Participating Organizations	(116,963)
Administrative Agent Fee <sup>2</sup>	578,938
Direct Cost <sup>3</sup>	9,505,136
Bank Charges	5,104
<b>Total use of funds</b>	<b>38,770,201</b>
<b>Balance with Administrative Agent</b>	<b>19,544,810</b>
As a percentage of contributions	33.5%

Source: GATEWAY<sup>4</sup>

The Participating United Nations Organizations reported expenditure totalling \$12.8 million as of 31 December 2016 (*refer to Table 2*).

<sup>1</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 \$58 million.

<sup>2</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>3</sup> This amount represents the costs to cover the budget of the SDG-F Secretariat.

<sup>4</sup> GATEWAY is the digital online portal created by the Multi-Partner Trust Fund Office to record and monitor the financial and programme activity related to the pooled funds of which the SDG-F is a part.

**Table 2. Fund overview - Participating Organizations as of 31 December 2016**

Funds with Participating Organizations	Amount (\$)
Transferred to Participating Organizations	28,797,987
<b>Total resources</b>	<b>28,797,987</b>
Participating Organizations' Expenditure	12,843,353
Refunds from Participating Organizations	116,963
<b>Total expenses</b>	<b>12,960,316</b>
<b>Balance with Participating Organizations</b>	<b>15,837,671</b>
As a percentage of transfers	55.0%
<b>Total Balance of Funds</b>	<b>35,382,481</b>
As a percentage of deposits	60.7%

Source: GATEWAY

As of 30 September 2017, the Joint Programme in Colombia received a total of \$1.5 million from the SDG-F and reported expenditure totalling \$1.3 million (*refer to Table 3*).

**Table 3. Funds disbursed - Joint Programme in Colombia as of 30 September 2017**

Organization	Transfer	Expenditure	Delivery rate
WFP	\$196,180	\$196,180	100.0%
UN Women	\$219,000	\$117,320	53.6%
FAO	\$404,590	\$400,422	99.0%
UNDP	\$680,230	\$605,726	89.0%
<b>Total</b>	<b>\$1,500,000</b>	<b>\$1,319,648</b>	<b>85.4%</b>

Source: GATEWAY

## II. Consolidated audit results

### 1. Governance arrangements of the SDG-F

The joint audit team had a field mission to New York from 5 to 23 June 2017. The audit aimed to assess the adequacy and effectiveness of the governance, risk management and control processes relating to the following areas and sub-areas:

- SDG-F Secretariat and Functions
- Joint Programmes and UN Partnerships
- Monitoring and Evaluation Framework
- Narrative Reporting
- Resource Mobilization
- Private Sector Advisory Group
- Knowledge Management

The joint audit team assessed the governance arrangements of the SDG-F as ‘unsatisfactory’, which means “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.”

The audit report included six audit issues and seven recommendations. Of the seven recommendations, three were rated as high priority. The details of audit issues and recommendations were as follows:

### 1.1. SDG-F Secretariat and Functions

#### A. Weaknesses in the establishment of the SDG-F Secretariat

The SDG-F Secretariat had not developed sufficient internal controls to support its work planning and intended mandate. The joint audit team found that:

- There were no approved terms of reference by the Steering Committee to guide the work of the Secretariat.
- The SDG-F was using the annex document of the SDG-F Action Plan as a risk register. However, the risk register was not actively used to manage key risks, per the UNDP policies, as it did not include the risk owners.

The joint audit team recommended that the SDG-F Secretariat strengthen its internal controls by: (a) seeking the approval of terms of reference by the Steering Committee to guide its work and mandate; and (b) developing tools to actively manage key risks to the SDG-F, as described in the risk register by adding risk owners. The SDG-F Secretariat indicated that the new terms of reference for the Steering Committee had been developed and risk owners would be identified in the risk matrix.

The joint audit team also recommended that the UN representative in the Steering Committee address the issue of the Steering Committee convening regularly, so as to ensure that the Committee is informed by the Secretariat on the progress of the SDG-F's activities in achieving its mandate, and to enhance supervision.

The SDG-F Secretariat indicated that the Steering Committee meeting was scheduled for December 2017.

#### B. Incomplete monitoring and evaluation and budgeting in Secretariat work planning

The joint audit team's review of the 2014-2016 work plan disclosed that the Secretariat did not fully document the budget and expenses for individual tasks in its departmental work plan. Furthermore, the Secretariat conducted only 4 out of 18 planned programme monitoring visits.

The joint audit team recommended that the SDG-F Secretariat complete its work planning by: (a) adding the state of completion and expenditure incurred for all budgeted tasks; and (b) establishing a field monitoring mission for joint programmes and extensions of existing ones that is consistent with budgeted resources.

The SDG-F Secretariat indicated that (a) the 2018 annual work plan would include detailed budget information; and (b) more field monitoring visits would be conducted by the end of 2017.

The remaining four recommendations were rated as medium priority. The recommendations issued aimed to address the unclear basis for approval of concept notes for joint programmes, unclear authority for approval of no-cost extensions for joint programmes, monitoring and quality assurance of Joint Programme Coordinators' progress reports, and weaknesses in programme funds mobilization.

As of the date of issuance of this report, all seven recommendations were already implemented.

## 2. Administrative Agent function for the SDG-F

From 28 February to 10 March 2017, the UNDP Office of Audit and Investigations (OAI) conducted an audit of the Administrative Agent function for the SDG-F, which was under the responsibility of the UNDP Multi-Partner Trust Fund. The audit aimed to assess the adequacy and effectiveness of the governance, risk management and control processes relating to the following areas and sub-areas:

- Governance and strategic management (organizational structure and delegation of authority, monitoring and reporting);
- Accounting for donor contributions;
- Accounting for transfer of funds to Participating United Nations Organizations and the International Organization for Migration;
- Certified financial reporting on sources and use of funds; and
- Expense reporting by Participating United Nations Organizations and the International Organization for Migration through the UNEX System (a web-based interface system that participating organizations used to report expenditure data).

During this audit period, the SDG-F recorded fund contributions totalling \$12.7 million and funds transferred/disbursed totalling \$21.6 million.

OAI/UNDP assessed the Administrative Agent 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 report did not include any audit issues and recommendations.

## 3. Joint Programme in Colombia funded by SDG-F

OAI/UNDP as the Internal Audit Service of the Convening Agency for the Joint Programme, conducted an audit of *Territorios productivos y con seguridad alimentaria para una población resiliente y en paz, en ecosistemas estratégicos en el Cauca*" (Joint Programme), in Colombia, from 17 April to 2 May 2017. The audit aimed to assess the adequacy and effectiveness of the programme's governance, risk management, and control processes in Colombia relating to the following areas and sub-areas:

- Governance mechanisms and coordination
- Risk management
- Monitoring and evaluation
- Reporting (programmatic and financial)
- Communication and advocacy / knowledge management
- Financial management

The audit covered the activities of UNDP Colombia as the Convening Agency<sup>5</sup> for the Joint Programme and jointly implemented activities of the other Participating United Nations Organizations in Colombia (i.e., FAO, UN Women and WFP) in coordination with their respective Internal Audit Services. The audit covered activities and recorded

<sup>5</sup> Under the pass-through modality for joint programmes, the Convening Agency is elected jointly based on merit in a comparative review by all Participating United Nations Organizations, and it needs to be an organization with in-country presence. The Convening Agency coordinates all the joint programme partners, coordinates and compiles annual work plans and narrative reports, coordinates monitoring of annual targets, calls and reports on Steering Committee meetings, and facilitates audits and evaluation. The Convening Agency may be involved in resource mobilization.



expenditures by UNDP and UN Women for the Joint Programme from 1 January 2015 to 30 April 2017. Detailed testing of WFP and FAO activities was not conducted.

OAI/UNDP assessed the Joint Programme in Colombia 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 report included three audit issues and recommendations of medium priority. The issues related to weaknesses in the operations of the governance and coordination structures of the Joint Programme, incomplete risk management tools and implementation at the Joint Programme, and delays in the formulation of the target outcome measurement methodology.

As of the date of issuance of this report, the status of implementation of these recommendations was in progress.

## 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.