

UNITED NATIONS DEVELOPMENT PROGRAMME
Office of Audit and Investigations



*Empowered lives.
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AUDIT

OF

UNDP COUNTRY OFFICE

IN

SAUDI ARABIA

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Report on the Audit of UNDP Saudi Arabia Executive Summary

The UNDP Office of Audit and Investigations (OAI) conducted an audit of UNDP Saudi Arabia (the Office) from 19 November to 30 November 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:

- (a) governance (leadership, corporate direction, corporate oversight and assurance, corporate external relations and partnership);
- (b) programme (quality assurance process, programme/project design and implementation, knowledge management);
- (c) operations (financial resources management, ICT and general administrative management, procurement, human resources management, and staff and premises security); and
- (d) United Nations leadership and coordination.

The audit covered the activities of the Office from 1 January 2016 to 31 August 2017. The Office recorded programme and management expenses of approximately \$65 million. The last audit of the Office was conducted by OAI in 2011.

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

Overall audit rating

OAI assessed the Office as **partially satisfactory / major improvement needed**, which means “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.” This rating was mainly due to inadequate programme and project oversight, weaknesses in procurement management, and weaknesses in travel management.

Key recommendations: Total = 9, high priority = 2

The nine recommendations aim to ensure the following:

Objectives	Recommendation No.	Priority Rating
Achievement of the organization’s strategic objectives	3	High
	1, 2	Medium
Reliability and integrity of financial and operational information	7	High
Effectiveness and efficiency of operations	6	Medium
Compliance with legislative mandates, regulations and rules, policies and procedures	4, 5, 8, 9	Medium

For high (critical) priority recommendations, 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. All high (critical) priority recommendations are presented below:

Inadequate programme and project oversight (Issue 4)

The audit selected 6 out of 25 projects for detailed review and noted the following weaknesses in project management:

- (a) For three projects, the annual work plan activities for certain outputs remained unchanged and not specific in the last three or four years. There was no difference in the activities in the annual work plans, including establishing annual output targets. Therefore, it was difficult to conduct a meaningful assessment of project results.
- (b) Back to Office reports had not been prepared for any of the sampled projects. Furthermore, while the project documents included a monitoring and evaluation framework, these did not provide adequate details on activities to be monitored, by whom and when.
- (c) For three projects, there had been infrequent project board meetings.
- (d) For two projects, no annual progress reports had been prepared within the audit period. For the other four projects, the information contained in their annual progress reports was incomplete.

Recommendation 3: The Office should strengthen its programme and project oversight by: (a) providing specific activities to be implemented each year, and corresponding annualized output targets in the annual work plan; (b) including in the monitoring and evaluation framework activities to be monitored (by whom and when), and holding project board meetings on an annual basis supported by meeting minutes; and (c) preparing annual progress reports in accordance with UNDP reporting requirements.

Weaknesses in procurement management (Issue 8)

A review of procurement cases disclosed the following shortcomings:

- (a) There were no procedures in place to track vendors reaching the Regional Advisory Committee on Procurement threshold amount.
- (b) The ACP Online system, which is a tool to track, manage, document and review procurement cases by the respective procurement committees was not being consistently used by the Office.
- (c) One staff member approved the requisitions and the purchase orders on the same transactions.

Recommendation 7: The Office should strengthen procurement management by: (a) establishing a tracking system to ensure that procurement cases reaching the threshold of Regional Advisory Committee on Procurement are submitted to the Committee for review; (b) using the ACP Online application for all procurement cases, and completing a post facto submission for the cases highlighted; and (c) adhering to the Internal Control Framework requirements by segregating the first authority from the second authority when approving transactions.

Management comments and action plan

The UNDP Resident Representative and UN Resident Coordinator accepted all recommendations and is in the process of implementing them. Comments and/or additional information provided have been incorporated in the report, where appropriate.

Low risk issues (not included in this report) have been discussed directly with management and actions have been initiated to address them.



Helge S. Ostveiten
Director
Office of Audit and Investigations

I. About the Office

The Office is located in Riyadh, Saudi Arabia (the Country). The Country is a high-income country with a per-capita gross domestic product of \$20,028 and total gross domestic product of \$646 billion in 2016. In 2016, it was ranked 38th of the 188 countries on the Human Development Index and is categorized as “very high human development” (UNDP). The current Country Programme covers the period 2017-2022 and includes three pillars: sustainable economic and social development; public sector efficiency; and sustainable natural resources. The Country Programme is nationally implemented by the Ministry of Foreign Affairs as the coordinator on international cooperation, and the Ministry of Economy and Planning, for which UNDP provides administrative and management support. The Country is a net contributor country and the main donor to the Office. At the time of the audit, the Office had 24 staff members and 2 service contract holders.

II. Audit results

Satisfactory performance was noted in the following area:

- (a) Staff and premises security: The Office was compliant with the Minimum Operating Security Standards (MOSS). The Business Continuity Plan was last updated in April 2017.

OAI made two recommendations ranked high (critical) and seven recommendations ranked medium (important) priority.

Low priority issues/recommendations were discussed directly and agreed with the Office and are not included in this report.

High priority recommendations, arranged according to significance:

- (a) Strengthen procurement management (Recommendation 7).
- (b) Strengthen programme and project oversight (Recommendation 3).

Medium priority recommendations, arranged according to significance:

- (a) Implement DPC by ensuring that all elements of DPC charges are clearly defined, and requesting guidance from the Regional Bureau on the appropriate methodology of charging DPC to projects (Recommendation 1).
- (b) In consultation with the Regional Bureau and Legal Office, conduct a comprehensive review of risks involved when UNDP is acting as a sponsor for consultants (Recommendation 4).
- (c) Complete a banking survey to identify and implement an automated solution for processing consultant salary payments (Recommendation 6).
- (d) Update job descriptions to align them with the current staff functions as well as supervisory and reporting lines (Recommendation 2).
- (e) Confirm the services provided to United Nations agencies and programmes by: determining scope, type and volume of services needed by the UN agencies and programmes, assessing its capacity to provide the services anticipated by UN agencies, and signing Service Level Agreements with UN agencies (Recommendation 9).
- (f) Ensure the completion of mandatory training courses (Recommendation 5).
- (g) Improve travel management (Recommendation 8).

The detailed assessment is presented below, per audit area:

A. Governance

1. External relations & partnerships

Issue 1 Direct project costs not charged to projects

The 'UNDP Programme and Operations Policies and Procedures' state that direct project costs (DPC) are levied for costs incurred in the implementation of a development activity or service that can be directly traced and attributed to that development activity (projects & programmes). These costs are included in the project budget and charged directly to the project budget for the development activity and/or service. The DPC guidelines indicate that services that will result in DPC need to be disclosed transparently, agreed to by all concerned parties, and included in the project document and annual work plan.

There are two forms of DPC:

- **Programme implementation and implementation support activities:** Costs incurred by UNDP to support project implementation by operations units including services relating to finance, procurement, HR, admin, security, travel, assets, general, and ICT.
- **Development effectiveness:** Activities and costs that support programme, quality, coherence and alignment. In the Office, these are costs associated with programme units and programme support units (e.g. strategic Country Programme planning/quality assurance), programme pipeline development, and programme policy advisory services.

The Office had not charged DPC to any of the six projects reviewed, although services falling into this category had been provided. These services included development effectiveness activities, and programme implementation support activities such as the recruitment of staff and consultants as well as administrative services such as processing of visas and daily subsistence allowances.

The Office indicated that the DPC element would be included in all new projects, and the services that would result in DPC would be disclosed in the project documents and annual work plans. The latest draft project document for new projects included a DPC amount within the project budget. However, no clauses had been included relating to how these would be charged.

The Office explained that it would be challenging to begin charging DPC on existing projects but preferred to agree to terms at the outset with the implementing partners for new projects. The Office was proposing to charge DPC at a flat rate of 4 percent on new projects.

Failure to fully implement DPC may adversely impact the Office in being able to support local office costs.

Priority	Medium (Important)
Recommendation 1:	
The Office should implement DPC by:	
<ul style="list-style-type: none"> (a) ensuring that all elements of DPC charges are clearly defined in the project documents and annual work plans, and agreed to with all relevant parties; (b) requesting guidance from the Regional Bureau on the appropriate methodology of charging DPC to projects, including appropriateness of using a flat rate. 	
Management action plan	
<p>In light of the deficit in its operating budget, the Office had instituted DPC in 2016 on new projects in agreement with the partners, based on a modality acceptable to them given the country context where the Government provides Government Contributions towards Local Office Costs (GLOC) for the Office's operations. It has been the intention of the Office to review the flat rate percentages on a regular basis with the objective of recovering only the deficit amount while continuing to pursue increases in GLOC by the Government to cover all costs.</p> <p>The draft SOP for DPC implementation was shared with the Office by the Bureau in January 2018. Further discussions will be held with the Bureau on the appropriateness of how it should be applied in the Country.</p>	
Estimated completion date: March 2018	

2. Alignment with corporate direction

Issue 2 Job descriptions not updated

The 'UNDP Programme and Operations Policies and Procedures' define the control environment as one of the components of the internal control system that sets the tone for the organization and provides the foundation for an effective internal control system. The control environment includes ethical values, management's philosophy and operating style, organizational structure, assignment of authority and responsibility.

In 2015, the Office underwent a review of its programme delivery and operational support services, which led to the development of the Office Transformation Plan. The Plan aimed at strengthening capacity for quicker and more agile responses to the programmatic requests from the Government. The implementation of the Plan was dependent on an increase in GLOC, which did not materialize and certain components were put on hold. However, the Office was able to make changes to the organizational structure that were not dependent on an increase in GLOC, as highlighted below:

- Within the Programme Unit, there were seven personnel directly reporting to the Assistant Resident Representative (ARR). After the reorganization, this was reduced to one personnel. Within the current structure, the ARR and the other two Programme Officers were reporting directly to the Deputy Resident Representative (DRR).
- Three staff, previously supervised by the ARR (two Finance Programme Assistants and one ICT Assistant) were moved to the Operations Unit and are now supervised by the Operations Manager and the head of the Finance Unit, respectively.

The job descriptions of posts subject to these changes, except for a newly recruited Programme Officer, were not revised to reflect changes in responsibilities and reporting lines.

Not having updated job descriptions, including clear reporting lines, may create uncertainty in terms of the expectations and management of staff.

Priority	Medium (Important)
Recommendation 2:	
The Office should update the job descriptions to align them with the current staff functions as well as supervisory and reporting lines.	
Management action plan:	
The Office undertook a realignment exercise in 2015. While job descriptions were revised in the change management process, the reclassification of job descriptions was put on hold due to unavailability of possible additional funds that may have been needed as a result of the centralization of XB and no increase in GLOC. The full implementation of the Office Transformation Plan/ realignment was put on hold. Only the reporting structure was changed. All staff were consulted and formally informed of the changes in the reporting structure.	
The Office will consult with Bureau and the Office of Human Resources on the best modality to implement this recommendation in light of the lack of funds.	
Estimated completion date: April 2018.	

B. Programme

1. Programme/project design and implementation

Issue 3 Lack of Country Programme Action Plan approval

The UN Common Country Strategic Framework (UNCCSF) legal annexes support the objectives of the UNCCSF as a mechanism to ensure accountability for the use of resources. It also eliminates the need for a Country Programme Action Plan (CPAP).

The Office signed a UN Common Country Strategic Framework (2017-2021). However, this document did not include the required standard legal annexes. Consequently, the Regional Bureau for Arab States requested the Office to prepare the CPAP containing the standard legal annexes, which was then submitted to the government counterpart. The Office indicated that it may be challenging for the Government to sign the CPAP, as this would entail a lengthy process of clearance within the Government.

The standard legal annex is required to establish a legal basis for the implementation of the CPAP by the Office.

OAI Comment

The CPAP for the programme cycle 2017-2021 was drafted and officially shared with the Government on 30 November 2017. The Office informed OAI that it would be following up on the CPAP finalization. Therefore, OAI did not make a recommendation.

Issue 4 Inadequate programme and project oversight

The 'UNDP Programme and Operations Policies and Procedures' state that offices must ensure adequate monitoring by preparing Back to Office reports following field visits, annual progress reports, and maintaining issue, monitoring and risk logs. The annual progress report should contain the following elements for the assessment of results: analysis of project performance, issues, risks, lessons learned as well as recommendations for addressing challenges. In addition, each year the projects are required to prepare an annual work plan which lists the activities and corresponding outputs to be implemented within the coming year. Project board meetings should be held at least annually to review achievement of project results, corresponding challenges and to endorse project activities for the following year.

The audit selected 6 out of 25 projects for detailed review, with a total expenditure of \$31 million, representing 84 percent of total programme expenditure in 2016. The audit noted the following weaknesses in project management:

- (i) The annual work plan activities for certain outputs remained unchanged and not specific in the last three or four years for three of six projects reviewed. There was no difference in the activities between annual work plans, including establishing annualized output targets. Therefore, meaningful assessments of project results would not be possible.
- (ii) Back to Office reports, which provide information on the progress towards the achievement of results, had not been prepared for any of the six sampled projects. Furthermore, while their project documents included a monitoring and evaluation framework, these did not provide adequate detail on activities to be monitored, by whom and when.
- (iii) For three of the six projects reviewed, there had been infrequent project board meetings. For example, for two projects the last meetings were held in 2012 or 2015. The Office explained requests had been made to hold board meetings on a yearly basis but without success.
- (iv) For two of the six projects reviewed, no annual project reports had been prepared in 2016. Further, two projects had incomplete annual progress reports, as they lacked assessments of project progress against planned activities, and had incomplete information on project risks, issues and lessons. The Office indicated that the format of the annual progress report would be updated to ensure the consistent presentation of information.

The Office is at risk of not meeting its development objectives for the Country if these project management weaknesses are not addressed.

Priority	High (Critical)
Recommendation 3:	
<p>The Office should strengthen its programme and project oversight by:</p> <ul style="list-style-type: none"> (a) providing specific activities to be implemented each year, and corresponding annualized output targets in the annual work plan; (b) including in the monitoring and evaluation framework activities to be monitored (by whom and when), and holding project board meetings on an annual basis supported by meeting minutes; and (c) preparing annual progress reports in accordance with UNDP reporting requirements. 	
Management action plan:	
<p>The Office will continue exerting all efforts with the National Project Coordinators (NPC) and implementing partners to provide annual progress reports and annual work plans to the project board. It is to be noted that in the net contributor country context of the Country, annualized output targets are determined by the NPCs with their monitoring and accountability lying with the Government/national counterparts given that they fund and implement the projects.</p> <p>Under national implementation modality (NIM), the national counterpart is the determining entity for any changes in the project document objectives, outputs and set targets.</p> <p>The Office will continue exerting all efforts with the National Projects' Coordinators and implementing partners to provide annual progress reports and annual work plans to the board. The Office will continue to explore and strengthen project monitoring and reporting.</p>	
Estimated completion date: December 2018	

Issue 5 UNDP acting as sponsor for project consultants

UNDP is exposed to external and internal factors that may create uncertainties in achieving organizational goals. The effect of these uncertainties on the objectives is also referred to as "risks". UNDP is required to manage these risks, through identification and mitigation.

Within the Country Programme, there were 192 consultants (70 international and, 122 national) working under contracts known as 'Special Service Agreements', within the NIM projects. The contracts were signed by the implementing partner, and the contracts included a clause that the consultants were not considered UN staff members. However, the Office provided support in obtaining the visas for these consultants and was named as the sponsor on the contractors' residency permit.

The national law included specific requirements regarding the obligations of the sponsor and sponsored party. According to the Office, the sponsorship system in the Country was used as an immigration control. The Office was responsible for the issuance of required documents to the implementing partners relating to residency, exit/re-entry visa and final exit of consultants. However, at the time of the audit, the Office had not considered the potential legal implications for the organization in acting as sponsor for individuals who were not staff

members. Following the audit fieldwork, the Office prepared a note to file, which concluded that any risks associated with these contracts were minimal, although an independent review had not taken place.

Due to the lack of a comprehensive assessment, the Office may not be able to properly manage risks to UNDP in acting as a sponsor for consultants for NIM projects, which may lead to reputational damage or unnecessary financial obligations.

Priority	Medium (Important)
Recommendation 4:	
The Office, in consultation with the Regional Bureau and Legal Office, should conduct a comprehensive review of risks involved when UNDP is acting as a sponsor for consultants and implement appropriate mitigating measures.	
Management action plan	
Under the modality of operations in the Country and based on the understanding with the Government and national counterparts, the Office sponsors non-residents at their request and with their approval as required by the national rules and regulations.	
The Office will engage a local lawyer, familiar with the national labor laws, to review the Government's legal clauses for sponsorship responsibilities and obligations and its risk implications to the Office.	
Estimated completion date: June 2018	

C. Operations

1. Human resources management

Issue 6 UNDP mandatory courses not completed

UNDP mandatory courses reinforce UNDP's organizational values. The mandatory courses provide compliance-learning in topics such as security, prevention of harassment, gender equality, basic legal framework, ethical principles and standards of behavior. It is expected that all staff members, including managers, complete the courses and obtain their certificates of completion.

At the end of the audit fieldwork, the status of completion of the UNDP mandatory courses, out of 26 staff, was as follows:

- Basic Security in the Field II: not completed by 11 staff
- Advanced Security in the Field: not completed by 10 staff
- Ethics and Integrity at UNDP: not completed by 7 staff
- Gender Journey: not completed by 5 staff
- UN Human Rights and Responsibilities: not completed by 7 staff
- Legal Framework: not completed by 6 staff

- Prevention of Harassment, Sexual Harassment and Abuse of Authority: not completed by 7 staff

The Office explained that most of the cases were due to technical problems in the system that did not recognize previous certifications. The Office is in communication with Learning Management System (LMS) focal point, to rectify and update the LMS records.

After the audit, the Office provided an updated LMS report showing improvements in the completion of the UNDP mandatory courses.

Delays in the completion of mandatory training courses could negatively affect the ability of staff to promote the organization's core values.

Priority	Medium (Important)
Recommendation 5	
The Office should ensure the completion of mandatory training courses by setting a timetable for staff to complete the remaining courses, and establishing an oversight mechanism for ongoing monitoring.	
Management action plan:	
While most staff had completed all mandatory learning courses, those with outstanding courses will be asked to complete them. For some staff, with learning courses not being available in Arabic, this poses a challenge but options will be explored.	
All staff are encouraged to complete all mandatory courses. This will also be reflected in the performance management and development process.	
Estimated completion date: February 2018	

2. Financial resources management

Issue 7 Manual processing of salaries for the government contractors

The 'UNDP Programme and Operations Policies and Procedures' state that offices may establish electronic interfaces between Atlas (enterprise resource planning system of UNDP) and local banks with electronic banking capabilities.

The Office processed approximately \$0.7 million of monthly salaries for 192 government consultants working on the NIM projects. The Office followed a manual process when making these salary payments, by entering consultant names and banking details in the online banking system each month. The information was maintained on an Excel sheet, which was updated monthly. The Office confirmed the process was time consuming, and it was taking the Programme Assistant 8 to 10 working days every month to process payments while it would take two to three working days for the Assistant Resident Representative to review and approve payments. There had been errors encountered when processing payments, including four double salary payments made during the audit period. These amounts were recovered through subsequent payment cycles.

The manual processing of salary payments is inefficient, and increases the risk of human error, which may result in financial losses for UNDP.

Priority	Medium (Important)
Recommendation 6:	
The Office should complete a banking survey to identify and implement an automated solution to ensure an efficient and accurate method for processing the consultant salary payments.	
Management action plan:	
As of 2015, the Office recognized the issue and established communications with the local bank to mainstream and digitize the process. Joint steps with the bank were made to configure the transactions to be in the format required by the bank system. In October 2017, the staff payroll was tested to ensure applicability of the system. The Office received an offer to include the B2B service from the bank. The offer is being reviewed.	
Action had already commenced in 2015. Communication and meetings were ongoing with a local bank to establish an interface between Atlas and their banking system. The proposal will be sent for review to the Bureau and Treasury to ensure compliance with guidelines.	
Estimated completion date: June 2018, subject to finalizing the technical requirements with the bank and clearance by HQ.	
OAI response:	
OAI acknowledges the actions taken by management; these will be reviewed at a later stage as part of the standard desk follow-up process of OAI.	

3. Procurement

Issue 8 Weaknesses in procurement management

The 'UNDP Programme and Operations Policies and Procedures' require offices to submit any contract or series of contracts including amendments to be awarded to a vendor with a cumulative value above \$150,000 in the preceding 12 months, to the Regional Advisory Committee on Procurement. Further, the 'UNDP Programme and Operations Policies and Procedures' require that all procurement actions subject to the review of the procurement committees at any level be processed through the Advisory Committee on Procurement (ACP) Online application. In addition, all procurement is required to be conducted in a manner that is fair and competitive. Therefore, the offers submitted by vendors should remain secured until all offers are simultaneously opened at a designated time and place.

A review of 19 purchase orders valued at \$571,000 disclosed the following shortcomings:

- (i) Two suppliers were identified with cumulative payments of more than \$150,000, which had not been submitted to the Regional Advisory Committee on Procurement for approval. The first supplier was for the provision of maintenance services in which cumulative procurement was \$196,000. The second supplier related to travel services in which the cumulative procurement was \$207,000.

There were no procedures in place to track vendors reaching the Regional Advisory Committee on Procurement threshold amount.

- (ii) The ACP Online system, which is a tool to track, manage, document and review procurement cases by the respective procurement committees was not being consistently used by the Office. During the audit period, there were 10 Contracts, Assets and Procurement Committee procurement cases, with cumulative value of \$866,000 that had not been recorded in the ACP Online system. The supporting documents for these procurement cases had instead been presented to the Contracts, Assets and Procurement Committee manually. The Office was not fully aware of the requirements for using the ACP Online system.

Failure to establish adequate controls in the management of the procurement threshold as well as uploading Contracts, Assets and Procurement Committee cases to the corporate online system may expose the Office to the risk of procurement related irregularities.

- (iii) The Internal Control Framework states that the standard Atlas user profiles have been designed to segregate duties. Staff members who have both a project manager and approving manager profile in Atlas must not approve a requisition and a purchase order on the same transaction.

During the review, OAI noted that one staff member approved the requisitions and the purchase orders on the same transactions. This occurred in 133 transactions with a total amount of \$1.8 million. The Office explained that this occurred due to a limited number of staff in the Office.

Lack of segregation of duties increases the risk of unauthorized transactions, which may lead to the loss of financial resources.

Priority	High (Critical)
Recommendation 7	
The Office should strengthen procurement management by:	
<ul style="list-style-type: none"> (a) establishing a tracking system to ensure that procurement cases reaching the threshold of \$150,000 are submitted to the Regional Advisory Committee on Procurement for review; (b) using the ACP Online application for all procurement cases, and complete a post facto submission for the cases highlighted; and (c) adhering to the Internal Control Framework requirements by segregating the first authority from the second authority when approving transactions. 	
Management action plan:	
The Office signed Long Term Agreements with vendors or suppliers, which are being used by other UN agencies. Thresholds are determined based on the anticipated utilization of that Long Term Agreement by all agencies. Procurement above the threshold has been as a result of its use by other agencies with no prior	

indication that it may exceed the limit. Communication with the Regional Advisory Committee on Procurement has now been established to seek advice and submit contracts for review. All new cases are being submitted through the online system. The functions are now segregated between the Assistant Resident Representative (Programme) and Operations Manager. This will also be further segregated upon completion of review of the Internal Control Framework and delegation of authorities.

The Office has undertaken actions to address the issues. This includes review of the vendor threshold on a quarterly basis. Further, the Office has started using the ACP Online application and already segregated the duties of approval of requisitions and purchase orders.

Estimated completion date: January 2018

OAI response:

OAI acknowledges the actions taken by management; these will be reviewed at a later stage as part of the standard desk follow-up process of OAI.

4. ICT and general administrative management

Issue 9 Weaknesses in travel management

The 'UNDP Programme and Operations Policies and Procedures' require that official travel be undertaken based on the most direct and economical route on which entitlement is based, regardless of the route chosen by the traveller. In case an office is unable to obtain three itineraries to demonstrate a competitive process, adequate justification should be maintained on file. Further, the policies prescribe rules that determine Daily Subsistence Allowance (DSA) entitlements, including circumstances upon which supplementary or special DSA is to be paid. Upon return to the duty station, F10 travel claim forms must be completed within 10 business days to document the travel, irrespective of whether a refund or reimbursement is due.

The Office was using the Travel Request option for authorizing official business travel. An internal system named Travel Authorization Request was in place for the creation of travel requests, travel approval and automatic calculation of DSA based on information entered in the system. A separate system was also created for the submission of F10 claims. OAI reviewed a sample of 10 out of the 37 official business travel cases processed during the audit period. The following issues were highlighted:

- (a) Incorrect calculation of DSA. Following the review of DSA payments from the sample of 10 cases, 6 exceptions were identified resulting in overpayments totalling \$3,647. Reasons for these overpayments included incorrect DSA rates used, incorrect percentages for reduced DSA, and DSA given for personal elements of travel. The Office recovered the amounts from travellers.
- (b) Incomplete submission of F10 claims. In 7 of the 10 F10 claims sampled, the proof of travel was not attached.

Deficiencies in travel management and non-compliance with the 'UNDP Programme and Operations Policies and Procedures' may lead to inconsistencies and abuse of travel entitlements and unjustified costs.

Priority	Medium (Important)
Recommendation 8:	
The Office should improve travel management by:	
<ul style="list-style-type: none"> (a) correctly calculating and validating the amount of Daily Subsistence Allowance based on the official itinerary; and (b) developing monitoring procedures to ensure F10 claims are submitted with supporting documents such as boarding passes. 	
Management action plan:	
<p>Low cost fares and routes are already being used, though these will be confirmed at the time of purchase since fares tend to change. Reasons for deviations in two cases were already explained. Most errors in the calculation of DSA were corrected in time. F10 submissions will be ensured and monitored. The Office's online travel system has been amended to include more controls and enforce F10 submissions by staff members, thus, capture any discrepancies in time. Lowest cost fare options will be continually reviewed as dates and fares change to obtain the final options before purchase.</p>	
Estimated completion date: January 2018	

D. United Nations leadership and coordination

Issue 10 Services provided to UN agencies not formalized

The 'UNDP Programme and Operations Policies and Procedures' on cost recovery from United Nations agency services require UNDP offices to sign a local level Service Level Agreement with the requesting UN entity, after confirming that there is no equivalent corporate level Service Level Agreement with the requesting UN entity. The support services provided, the cost of the services as well as the frequency of the billing and other information that the UN entity requires, should be agreed upon in advance between UNDP and the UN entity in the relevant Service Level Agreement.

The Office provided a wide range of services including payments, recruitments, payroll, ICT, procurements, visa processing, shipment arrangements and custom clearance, to 11 UN agencies and programmes. The Office recovered about 283,000 SAR (\$76,000) from the agencies in 2017. At the time of the audit, no agreement for the provision of these services was signed with these agencies. During the Operations Management Team meeting in January 2017, it was agreed that UNDP would explore the possibility of establishing a Service Level Agreement with the respective UN agencies to cover the increased demand on UNDP operational services, and to determine the corresponding resourcing requirements to deliver these services. The Office explained that it was unable to formalize any agreement in 2017 as many agencies did not confirm in advance what services they would need.

In the absence of a Service Level Agreement, disputes may arise regarding the scope of services and corresponding cost recovery.

Priority	Medium (Important)
Recommendation 9:	
The Office should confirm the services provided to United Nations agencies and programmes by:	
<ul style="list-style-type: none">(a) determining scope, type and volume of services needed by the UN agencies and programmes;(b) assessing its capacity to provide the services anticipated by UN agencies; and(c) signing Service Level Agreements with UN agencies, after confirming that services are not under the scope of any existing corporate level Service Level Agreement.	
Management action plan:	
The Office exerted all efforts to obtain the projections for service requests from United Nations agencies. Unfortunately, none were provided as the agencies do not know what services will be requested by them. The Office continued applying the Local Price List.	
The Office will continue pursuing the establishment of Service Level Agreements with the agencies. In the meanwhile, the Local Price List will continue to be used to recover costs.	
Estimated completion date: March 2018	

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.