

UNITED NATIONS DEVELOPMENT PROGRAMME
Office of Audit and Investigations



*Empowered lives.
Resilient nations.*

AUDIT

OF

UNDP COUNTRY OFFICE

IN

SAUDI ARABIA

Report No. 1900
Issue Date: 14 February 2018

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