

-UNITED NATIONS DEVELOPMENT PROGRAMME
Office of Audit and Investigations



AUDIT

OF

UNDP COUNTRY OFFICE

IN

SAUDI ARABIA

Report No. 2457
Issue Date: 24 January 2023

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 2 to 13 October 2022. 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
- (b) Development activities
- (c) Operations – procurement, finance, human resources, administrative services, information communication and technology (ICT)

In addition, OAI assessed the performance of the Office in the following areas:

- (a) Procurement: The audit reviewed whether the procurement processes resulted in the contracting of required services and products in a timely manner, and whether procurement was processed with fairness, transparency, and integrity.
- (b) Finance: The audit team assessed whether financial transactions were processed timely and accurately.

Performance auditing is an independent, objective, and reliable examination of an entity or process to assess whether economy, efficiency, and effectiveness in the employment of available resources is being achieved.

The audit covered the activities of the Office from 1 January 2021 to 31 July 2022. The Office recorded programme and management expenses of approximately \$39.7 million. The last audit of the Office was conducted by OAI in 2017.

The audit was conducted in conformance with the *International Standards for the Professional Practice of Internal Auditing* of The Institute of Internal Auditors (The IIA).

Overall audit rating

OAI issued an audit rating for the Office of **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 weaknesses in project implementation and closure.

Conclusions on the performance audit areas reviewed: Weaknesses were noted under the procurement and finance areas. These findings have been incorporated in the overall auditing rating.

Effective controls were established and functioning in the following areas:

- (a) Governance. Activities including corporate planning, updating the corporate risk register, adherence to the Internal Control Framework and delegation of authority requirements and business continuity plan, were found to be adequate.
- (b) General administrative management. Controls over asset management, travel, and vehicles were functioning adequately.
- (c) Information and Communications Technology (ICT). ICT systems managed by the Office were found to be operating effectively.

Key recommendations: Total = 6, high priority = 1

The six recommendations aim to ensure the following:

Objectives	Recommendation No.	Priority Rating
Achievement of the organization's strategic objectives	1, 2	Medium
Reliability and integrity of financial and operational information	5	Medium
Effectiveness and efficiency of operations	4	Medium
Compliance with legislative mandates, regulations and rules, policies and procedures	3	High
	6	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. The high (critical) priority recommendation is presented below:

Weaknesses in project implementation and closure (Issue 3) Five outputs with total expenses of \$20.3 million (58.3 percent) out of total expenses of \$34.8 million were selected for review. The following was noted:

Low project delivery – Two outputs (100619 and 115227) had low delivery of 39 and 52 percent, respectively, in 2021. As of 31 July 2022 (five months to year-end), all five sampled outputs were significantly behind their delivery targets. The projects had not put in place delivery acceleration measures and these challenges were also not captured in respective project risk logs with clear mitigation measures.

Absence of partner capacity assessment and assurance activities – 11 implementing partners had not been micro-assessed during the audit period.

Inadequate project closure – Five outputs, IDs 113712, 118476, 122718, 79795, and 80559 (three operationally and two financially closed) were selected for review against project closure requirements. Four outputs out of five sampled did not have them closed in accordance with the policy..

Recommendation: The Office should improve project implementation and risk management by: (a) developing action plans to address the root causes of low project delivery of projects and ensuring the project challenges are captured in their risk logs with clear mitigation measures; (b) completing the micro-assessment of implementing partners, developing assurance plans, and implementing assurance activities; and (c) adhering to the project closure requirements in the UNDP Programme and Operations Policies and Procedures and closing projects that have expired based on their end dates.

Implementation status of previous OAI audit recommendations: Report No. 1900, 14 February 2018.

Total recommendations: 9

Implemented: 9

Management comments and action plan



The Resident Representative a.i. 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.

Moncef Ghrib

Officer-in-Charge
Office of Audit and Investigations