

HRDF's Governance

HRDF strives to apply governance principles and monitor its operations and activities effectively. To do this, HRDF strengthened the financial, operational, and information technology sections of the Internal Audit Department, and promoted the role of the Risk Management and Compliance Department in assessing the risks facing HRDF and its compliance with regulations and legislation.

Internal Audit Department

The Internal Audit Department is linked technically to the Audit Committee emanating from the Board of Directors, and administratively to the Director-General. The department is not subjected to any influence from the executive management, in line with the principle of independence that enables it to work objectively and impartially, as stipulated in the Charter of the Internal Audit Department and the Audit Committee Charter.

The Internal Audit Department prepares and follows an annual plan based on risk assessment, which is reviewed by the Director-General and approved by the Audit Committee. To achieve HRDF's goals, the results of this plan are translated into reports that are submitted to the concerned parties in HRDF in order to address and avoid any identified risks.

To ensure the application of governance principles by the Internal Audit Department, HRDF strives to upskill the department's employees through intensive training programmes supervised by the Saudi Association of Internal Auditors in line with the International Internal Audit (IIA) standards.

In order to increase the efficiency of government spending and manage associated risks to align with the goals and programmes of Saudi Vision 2030, HRDF launched a project to develop its own governance structure. This governance structure will include the institutions related to HRDF to simplify communication between the various entities, contribute to strengthening their internal audit departments, and help them prepare the documents related to the creation of their internal audit units.

Risk Management and Compliance Department

HRDF created the Risk Management and Compliance Department in 2019 to measure, assess, and manage risks; develop the required strategies to address those risks; and monitor the implementation of those strategies in coordination with the various administrative units in HRDF. The department also ensures that all processes and procedures in HRDF comply with the regulations and instructions issued by legislative bodies, conducts periodic reviews, provides recommendations and proposals, and contributes to developing HRDF's policies and procedures.

In 2019, the Risk Management and Compliance Department achieved the following:

- ▶ Listed the Royal Decrees, ministerial orders, and regulations related to HRDF's work.
- ▶ Established appropriate communication channels to deal with the requirements of the legislative, regulatory, and supervisory bodies.
- ▶ Identified internal processes in HRDF to assess their compatibility with the regulations and instructions issued by the relevant authorities
- ▶ Assessed the risks of 11 programmes in HRDF according to the established plan. A total of 161 risks were identified and 381 action plans are needed to address them.
- ▶ Reviewed recently issued or modified policies, procedures, and documents, and process requests and notifications submitted by the different sectors and departments and provided necessary guidance.

Operational monitoring

HRDF monitors all agreements, during the contracting phase and in the implementation phase concerning both direct and joint programmes, in line with approved policies, field visits, and achievement reports.

Operational monitoring is aimed at:

- ▶ Ensuring the implementation of the approved support agreement signed with the beneficiaries of HRDF programmes.
- ▶ Eliminating the obstacles that face the beneficiaries of HRDF programmes.

The following two tables indicate the inspection visits conducted by HRDF in the Kingdom of Saudi Arabia in 2019 and its resulting observations.

Inspection visits in 2019

Visit type	Number of visits
Periodic	11,121
Small enterprise owners	8
Verification visits	109
Total	11,238

Violations and observations in 2019

Programme type	Total number of recorded violations and observations	Number of violations	Number of observations
Training to employment programme	58	57	1
Direct employment	699	674	25
Total	757	731	26