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INTEROFFICE MEMORANDUM

MEMORANDUM INTERIEUR

OFFICE OF INTERNAL OVERSIGHT SERVICES - BUREAU DES SERVICES DE CONTRÔLE INTERNE
INTERNAL AUDIT DIVISION - DIVISION DE L'AUDIT INTERNE

TO: Mr. Nicolas Von Ruben,
A: Director of Mission Support,
United Nations Mission in Sudan (Sudan)

DATE: 25 August 2011

REFERENCE: IAD: 11- 00 534

FROM: Fatoumata Ndiaye, Director
DE: Internal Audit Division, OIOS

Fatoumata

SUBJECT: **Assignment No. AP 2011/632/01 – Audit of fuel management in UNMIS**

OBJET:

Overall results relating to regulatory framework were satisfactory

1. Attached please find the report and audit results on the above-mentioned audit.
2. We wish to express our appreciation to the Management and staff of UNMIS for the assistance and cooperation extended to the auditors during this assignment.

cc: Ms. AnneMarie van den Berg, Chief Integrated Support Services, UNMIS
Mr. Stephen Farrell, Chief Supply Officer, UNMIS
Mr. Theodore Akueson-Gannyi, Chief Fuel Unit, UNMIS
Mr. Ebenezer Aryee, Chief Contract Management Unit, UNMIS
Ms. Amy Wong, Programme Officer, Internal Audit Division, OIOS

AUDIT REPORT

Audit of fuel management in UNMIS

BACKGROUND

The United Nations Mission in Sudan (UNMIS) operates in North and South Sudan mainly in remote and challenging locations providing logistical support including fuel (i.e. Jet A-1, aviation turbine fuel, diesel fuel, oils and lubricants) to its operations which are undertaken by 9,855 peacekeeping troops, 708 civilian police/military observers and 4,090 civilian staff. The Mission fuel consuming equipment included 41 aircraft, 4,244 vehicles, 1,002 generators, and 9 naval patrol boats. UNMIS' monthly fuel requirement averages 2.48 million litres of diesel and 2.76 million litres of Jet A-1 aviation turbine fuel. The Mission also maintains local and strategic reserves.

Fuel supplied to UNMIS is provided through a turnkey contract. The contract, which has been extended until February 2012, has a Not-to-Exceed amount of \$362.75 million. The Contractor is required to source fuel from non-domestic suppliers and manage the complete fuel supply chain including importation of duty-free, as well as its distribution to UNMIS operations throughout Sudan. They are also responsible for establishing, operating and maintaining fuel storage facilities, local and strategic fuel reserves, dispensing fuel to end-users, and accounting for fuel transactions. The Contractor maintains ownership of operating stock of fuel up to and until the fuel is dispensed into United Nations-authorized equipment or authorized container. The UNMIS Fuel Unit is responsible for monitoring the services of the Contractor, ensuring there is an uninterrupted supply of fuel and monitoring end-users consumption. The Fuel Unit is headed by an officer at P-4 level, has 35 staff and is supported by the 36 Bangladesh Petroleum Platoon.

OBJECTIVE AND SCOPE

The audit was conducted to assess the adequacy and effectiveness of UNMIS' risk management, control and governance processes in providing reasonable assurance regarding UNMIS' management of the performance of its fuel contractor and in distributing and accounting for fuel. The key control tested for the audit included that related to regulatory framework. The audit covered UNMIS' activities related to the key control for the period 1 July 2009 to 31 March 2011.

AUDIT RESULTS

In OIOS' opinion, UNMIS' risk management, control and governance processes examined were **satisfactory** to provide reasonable assurance regarding the performance of the fuel Contractor and in distributing and accounting of fuel. Opportunities for improvement existed in the following areas.

Monitoring the performance of the Contractor

UNMIS regularly assessed the services of the Contractor, and communicated the results through monthly meetings and quarterly performance evaluations. The monthly meetings were attended by staff of the Fuel Unit and the Contractor. Issues raised by UNMIS were generally addressed by the Contractor to the satisfaction of the Fuel Unit. OIOS' physical inspection of fuel facilities in El Obeid, Juba, Kadugli, Malakal and Wau between February and March 2011 and a review of fuel inventory levels of local and strategic fuel reserves for the six sectors showed that the Contractor was providing an uninterrupted supply of fuel to the Mission for its operations.

Efficiency fuel monitoring tool

The Fuel Unit developed a tool to monitor and control fuel consumed by its 1,002 generators. However, without seeking guidance from the Engineering Section, the Fuel Unit set the load capacity of all generators in the tool at 70 per cent, even though the capacities and performance standards of each generator differ. A more realistic average load capacity is 50 per cent. Therefore the use of the higher 70 per cent load factor meant that the expected fuel consumed per hour was about 77 litres against the actual average of about 60 litres for 50 per cent load capacity. Consequently, the tool was ineffective in identifying any misuse or theft of fuel. *The Fuel Unit has corrected this and is using location and/or generator specific load factors as a basis for fuel consumption monitoring instead of the generic 70 per cent load factor.*

Data provided by the Contractor

The Contractor provided UNMIS with data on fuel consumption. OIOS test checks identified incorrect entries, for example: (a) for generators, a review of the Contractor's database showed 118 incorrect data entries recording generators running for 30 hour per days, and a number of other unrealistic consumption rates; and (b) for vehicles, from a sample of 2,684 records, 170 entries showed 500 to 11,334 kilometers per vehicle before refueling, which was unrealistically high while 437 entries reported consumption per vehicle well below the expected level per 100 kilometers per vehicle. As the Contractor reports were not independently verified for accuracy by the Fuel Unit, there had been no follow-up on the anomalies noted by OIOS. *Management stated that fuel officers will check the accuracy of the Contractor data but due to its volume this is laborious, and prone to error. Nonetheless, the development and implementation of a new Electronic Fuel Management System, which is due to be released by DFS by the end of December 2011, should improve fuel monitoring.*

Accounting for fuel provided in bulk

Three team sites, Julud, Taludi and Yei, received fuel in bulk from the Contractor. UNMIS was responsible for issuing fuel and managing the inventory. While the fuel officers at these locations accounted for the fuel received and consumed, they did not adequately record the issuance of fuel. As a result, there was an unmitigated risk that theft or abuse of fuel would not be detected and/or prevented. *Management stated that the Fuel Unit will extend individual equipment fuel consumption monitoring to these locations. Also, this will be better managed once the Electronic Fuel Management System is introduced.*

ACKNOWLEDGEMENT

OIOS wishes to express its appreciation to the Management and staff of UNMIS for the assistance and cooperation extended to the auditors during this assignment.