



## INTERNAL AUDIT DIVISION

# REPORT 2014/063

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### Audit of fuel operations in the United Nations Assistance Mission in Afghanistan

Overall results relating to the effective management of fuel operations in the United Nations Assistance Mission in Afghanistan were initially assessed as partially satisfactory. Implementation of six important recommendations remains in progress

FINAL OVERALL RATING: PARTIALLY SATISFACTORY

15 July 2014

Assignment No. AP2014/630/02

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# AUDIT REPORT

## Audit of fuel operations in the United Nations Assistance Mission in Afghanistan

### I. BACKGROUND

1. The Office of Internal Oversight Services (OIOS) conducted an audit of fuel operations in the United Nations Assistance Mission in Afghanistan (UNAMA).
2. In accordance with its mandate, OIOS provides assurance and advice on the adequacy and effectiveness of the United Nations internal control system, the primary objectives of which are to ensure (a) efficient and effective operations; (b) accurate financial and operational reporting; (c) safeguarding of assets; and (d) compliance with mandates, regulations and rules.
3. The Fuel Unit in UNAMA was responsible for storage, quality control and issuance of ground fuel for vehicles and generators, and provision of Jet A1 fuel for the aviation fleet. The Fuel Unit was headed by a Field Service-5 level staff who reported to the Chief Technical Services through the Chief Supply Section. Its approved staffing in 2013 was five posts, which included one international staff, three United Nations volunteers and one national staff. Its budget, including fuel and staff costs was \$14.8 million and \$13.4 million for 2012 and 2013 respectively.
4. Comments provided by UNAMA are incorporated in italics.

### II. OBJECTIVE AND SCOPE

5. The audit was conducted to assess the adequacy and effectiveness of UNAMA governance, risk management and control processes in providing reasonable assurance regarding the **effective management of fuel operations in UNAMA**.
6. The audit was included in the OIOS 2014 risk-based work plan due to the operational and financial risks relating to fuel operations.
7. The key control tested for the audit was regulatory framework. For the purpose of this audit, OIOS defined this key control as the one that provides reasonable assurance that policies and procedures: (a) exist to guide fuel management activities; (b) are implemented consistently; and (c) ensure the reliability and integrity of financial and operational information.
8. The key control was assessed for the control objectives shown in Table 1.
9. OIOS conducted this audit from February to April 2014. The audit covered the period from 1 July 2012 to 31 December 2013 and reviewed 604 delivery vouchers for ground and Jet A1 fuel valued at \$2.8 million.
10. OIOS conducted an activity-level risk assessment to identify and assess specific risk exposures, and to confirm the relevance of the selected key control in mitigating associated risks. Through interviews, analytical reviews and tests of controls, OIOS assessed the existence and adequacy of internal controls and conducted necessary tests to determine their effectiveness.

### III. AUDIT RESULTS

11. The UNAMA governance, risk management and control processes examined were initially assessed as **partially satisfactory** in providing reasonable assurance regarding the **effective management of fuel operations in UNAMA**. OIOS made seven recommendations to address the identified issues. UNAMA had adequate and effective procedures in place for: requisitioning, storage, and issuance of fuel; and verification of fuel invoices. The Mission also had developed environmental management procedures on fuel operations. However, UNAMA needed to: (a) enhance procedures for receipt, quality control and for conducting regular physical verifications of ground fuel inventory; (b) implement fire risk mitigation measures; and (c) test the validity of its emergency response plan for fuel activities on its premises.

12. The initial overall rating was based on the assessment of the key control presented in Table 1. The final overall rating is **partially satisfactory** as implementation of six important recommendations remains in progress.

**Table 1: Assessment of key control**

Business objective	Key control	Control objectives			
		Efficient and effective operations	Accurate financial and operational reporting	Safeguarding of assets	Compliance with mandates, regulations and rules
<b>Effective management of fuel operations in UNAMA</b>	Regulatory framework	Partially satisfactory	Partially satisfactory	Partially satisfactory	Partially satisfactory
<b>FINAL OVERALL RATING: PARTIALLY SATISFACTORY</b>					

### Regulatory framework

#### Controls over requisitioning of fuel were adequate

13. The fuel supply and services agreement required the vendor to deliver fuel to meet UNAMA requirements. A review of 98 requests for the months of August 2012, March 2013 and September 2013 for the delivery of 1.2 million liters of ground fuel for operations in Kabul and field offices indicated that adequate controls were in place and working as intended for the requisitioning of fuel.

#### Procedures for the receipt of ground fuel needed to be enhanced

14. The UNAMA standard operating procedures on fuel management required vendors to deliver fuel to specific locations and obtain signatures of authorized personnel confirming receipt of fuel.

15. A review of 320 credit sales vouchers for the delivery of aviation Jet A1 fuel in August 2012, March 2013 and September 2013 indicated that they were signed by the pilot-in-charge. However, UNAMA staff present during the refueling process did not consistently sign on behalf of the Mission to confirm receipt of fuel. Subsequent to the audit, in March 2014, UNAMA strengthened procedures to ensure that staff members acknowledged receipt of Jet A1 fuel. Based on the action taken, no recommendation was made.

16. A review of 98 requests for the delivery of ground fuel for the months of August 2012, March 2013 and September 2013 indicated that they were signed by UNAMA staff acknowledging receipt of fuel and inspection of its quality. However, in March 2014, this control became ineffective due to the separation of engineering and transport staff that were previously responsible for the receipt and inspection of fuel in field offices. As a result, there was a need to re-delegate fuel receipt and inspection responsibilities to other available staff in the field offices and provide on-the-job training to the newly authorized staff to ensure that the quantity and quality of ground fuel received was appropriately acknowledged.

**(1) UNAMA should review and up-date its standard operating procedures on the receipt and inspection of ground fuel and ensure that newly assigned staff are adequately trained on the receiving and inspection function.**

*UNAMA accepted recommendation 1 and stated that it had revised its standard operating procedures on the receipt of fuel and provided training to regional staff authorized to receive fuel. Recommendation 1 remains open pending receipt of evidence that all staff members authorized to receive fuel have been trained on the receiving and inspection function.*

Inadequate preventative measures over fuel consumed by vehicles

17. The UNAMA standard operating procedures required frequent checks and monitoring of fuel consumed as a deterrent against losses through theft. Records for 30 vehicles refueled in Kabul showed that fuel drawn by five vehicles and recorded by the vendor on daily log sheets exceeded that on trip tickets by 247 liters. UNAMA did not identify these differences as it had not implemented a procedure for monitoring and reporting on possible anomalies and differences. As a result, there were inadequate preventative measures to reduce the risk of loss of fuel through theft.

**(2) UNAMA should perform a monthly reconciliation between the log sheets of fuel issued by the vendor to fuel trip tickets of fuel consumed as recorded by drivers. Differences identified should be followed up and promptly resolved.**

*UNAMA accepted recommendation 2 and stated that it had revised its standard operating procedures and monthly reconciliation of fuel records was ongoing. Recommendation 2 remains open pending receipt of evidence that monthly reconciliation of fuel records is being performed.*

Physical verifications of fuel inventory were not done regularly

18. The UNAMA standard operating procedures on fuel management required accurate and timely information on stockholdings and usage rates for use in forecasting fuel requirements. Visits to three locations in the Mission area confirmed that periodic physical verifications of fuel inventory and reconciliations of results with fuel records were not being done. This was because UNAMA did not have procedures to ensure that fuel stockholdings were regularly inspected and reconciled with inventory records. This impacted on the accuracy of stockholdings, and increased the risk of losses going undetected. For example, an audit test check of fuel reserves in Kabul indicated a difference of 1,000 liters against the book balance of 81,000 liters.

**(3) UNAMA should conduct regular physical verifications of fuel inventory in all locations, reconcile results with fuel records to ensure that fuel stockholdings are accurate, and take action to resolve differences.**

*UNAMA accepted recommendation 3 and stated that it had updated the standard operating procedures and physical verifications were being conducted on a continuous basis. Recommendation 3 remains open pending receipt of evidence that physical verifications of fuel are regularly conducted and the results reconciled with fuel records and variances resolved.*

Adequate arrangements were not in place for independent verification of ground fuel quality

19. The UNAMA standard operating procedures required fuel vendors to employ the services of qualified laboratories to conduct quality tests. A review of fuel records indicated that vendors regularly submitted quality certificates for bulk fuel imports issued by refineries in their countries of origin.

20. UNAMA field offices were provided with equipment for carrying out rudimentary tests to detect contamination of fuel received. OIOS confirmed that the aircrew tested the quality of Jet A1 prior to refueling UNAMA aircraft, and Mission staff physically observed and tested the quality of ground fuel delivered prior to acceptance. However, UNAMA concluded that this level of testing was insufficient, and contracted a vendor in the United Arab Emirates, as UNAMA was of the view that laboratories in Afghanistan did not meet the requisite standards for fuel analysis. Due to the withdrawal of UNAMA scheduled flights to Dubai in July 2013, no fuel samples were sent for independent testing due to restrictions on the transportation of fuel on commercial flights. Consequently the additional measures that UNAMA required over the testing of the quality of fuel were no longer effective. UNAMA needed to implement procedures to mitigate this identified risk relating to the quality of fuel.

**(4) UNAMA should review the capability of locally available fuel testing laboratories in Afghanistan or consider enhancing its in-house capacity to ensure the quality of fuel.**

*UNAMA accepted recommendation 4 and stated that it had revised its quality control procedures and enhanced its in-house capacity by providing fuel quality testing equipment and training staff members responsible for receiving and inspection of fuel. Recommendation 4 remains open pending receipt of evidence that in-house fuel quality control tests are being regularly conducted and documented.*

Recommendations of fire risk assessments on safe storage of fuel needed to be implemented

21. The Department of Field Support (DFS) Fuel Operations Manual indicated that the security of fuel facilities was important due to the high risk of thefts and fire hazards. Visits to three Mission locations confirmed that underground tanks were used for storage of fuel and these were adequately mitigated against the risk of theft by security deployed to the compounds.

22. However, UNAMA had not implemented the risk mitigating recommendations proposed by the UNAMA Fire Safety Unit in 2012 and 2013 to enhance the firefighting capability at fuel storage locations nor had it reinforced fuel storage areas against the effects of explosions. UNAMA did not implement some of the recommendations, such as installation of t-walls around fuel tanks, due to budget and space constraints. In addition the Fuel and Fire Safety Units, which were jointly responsible for implementing firefighting measures, did not work closely to explore alternative cost effective fire risk mitigating procedures. Consequently, fuel-related fire risks in field offices were not adequately mitigated.

**(5) UNAMA should enhance security measures at fuel facilities by implementing the recommendations made in the fire risk assessments, and if these are not feasible, implement alternative measures to ensure that risks of fire at fuel facilities are adequately**

**mitigated.**

*UNAMA accepted recommendation 5 and stated that the Fuel Unit, Engineering Section and Fire Safety Unit had discussed the feasibility of the recommendations made in the fire risk assessments, and planning of works by the Engineering Section was ongoing. Recommendation 5 remains open pending receipt of evidence that adequate measures have been put in place to mitigate fuel-related fire risks in UNAMA.*

Emergency response plan for fuel was not prepared and tested

23. The DFS Fuel Operations Manual required the Fuel Unit to develop an emergency response plan and regularly up-date and test it. Also, the fuel supply and services agreement of August 2013 required the vendor to prepare an emergency response plan and submit written copies of fire prevention and control plans to UNAMA for review prior to assuming operations.

24. UNAMA did not have emergency response plans for fuel and had not conducted exercises to assess its capability to handle fuel related emergencies, impacting on the ability of staff in the Mission to effectively respond to fuel emergencies. This happened as the Fuel Unit understood that the development and testing of fuel emergency plans were the responsibility of the UNAMA Security Section. Moreover, UNAMA did not follow up with the vendor to obtain their emergency response plans prior to it assuming its fuel operations. Consequently there were no site-specific procedures to manage spillage or fire incidents.

**(6) UNAMA should prepare fuel emergency response plans for all its locations where fuel is received, stored and dispensed, and conduct exercises regularly to verify the validity of the plans.**

*UNAMA accepted recommendation 6 and stated that it had prepared an emergency response plan and included it as an annex to its standard operating procedures, and exercises were being carried out to validate the emergency plans. Recommendation 6 remains open pending receipt of evidence that exercises are being regularly conducted to test the adequacy of fuel emergency response plans.*

**(7) UNAMA should obtain and review the adequacy of the vendor emergency response and fire prevention and control plans, and ensure that they are effectively implemented by the vendor.**

*UNAMA accepted recommendation 7 and stated that it had received and reviewed the fuel emergency response plans submitted by the vendor. Based on the action taken by UNAMA, recommendation 7 has been closed*

The Mission environmental management procedures pertaining to fuel were developed

25. The DFS Fuel Operations Manual required missions to develop and implement environmental management procedures pertaining to petroleum, oil and lubricants that were in accordance with the latest DFS environmental policy. A review of records indicated that a Mission environmental policy and guidelines had been established in July 2011. Also, fuel spill kits were distributed to all Mission locations where fuel was handled, and personnel were trained on their use for small scale spills. Subsequent to the audit in May 2014, UNAMA developed environmental procedures pertaining to petroleum, oil and lubricants. OIOS concluded that adequate environmental procedures were in place.

Adequate procedures were in place for verifying invoices prior to payment

26. The United Nations Field Finance Procedure Guidelines required the review of invoices received from vendors, and confirmation of delivery and acceptance by the receiving unit of the goods being paid for. A review of 18 invoices comprising of 604 delivery vouchers valued at \$2.8 million for ground fuel and Jet A1 received by UNAMA during the months of August 2012, March 2013 and September 2013 indicated that they were verified by the Fuel and the Receiving and Inspection Units prior to submission to the Finance Section for payment. OIOS was satisfied that adequate procedures were in place over the review of invoices and delivery vouchers prior to payment.

#### **IV. ACKNOWLEDGEMENT**

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

*(Signed)* David Kanja  
Assistant Secretary-General for Internal Oversight Services



## STATUS OF AUDIT RECOMMENDATIONS

### Audit of fuel operations in the United Nations Assistance Mission in Afghanistan

Recom. no.	Recommendation	Critical <sup>1</sup> / Important <sup>2</sup>	C/ O <sup>3</sup>	Actions needed to close recommendation	Implementation date <sup>4</sup>
1	UNAMA should review and up-date its standard operating procedures on the receipt and inspection of ground fuel and ensure that newly assigned staff are adequately trained on the receiving and inspection function.	Important	O	Receipt of evidence that all staff members authorized to receive fuel have been trained on the receiving and inspection function. .	May 2014
2	UNAMA should perform a monthly reconciliation between log sheets of fuel issued by the vendor to fuel trip tickets of fuel consumed as recorded by drivers. Differences identified should be followed up and promptly resolved.	Important	O	Receipt of evidence that monthly reconciliation of fuel records is being performed.	September 2014
3	UNAMA should conduct regular physical verifications of fuel inventory in all locations, reconcile results with fuel records to ensure that fuel stockholdings are accurate, and take action to resolve differences.	Important	O	Receipt of evidence that physical verifications of fuel are regularly conducted and the results reconciled with fuel records and variances resolved.	October 2014
4	UNAMA should review the capability of locally available fuel testing laboratories in Afghanistan or consider enhancing its in-house capacity to ensure the quality of fuel.	Important	O	Receipt of evidence that in-house fuel quality control tests are being regularly conducted and documented.	May 2014
5	UNAMA should enhance security measures at fuel facilities by implementing the recommendations made in the fire risk assessments, and if these are not feasible, implement alternative measures to ensure that risks of fire at fuel facilities are adequately mitigated.	Important	O	Receipt of evidence that adequate measures have been put in place to mitigate fuel-related fire risks in UNAMA.	July 2015

<sup>1</sup> Critical recommendations address significant and/or pervasive deficiencies or weaknesses in governance, risk management or internal control processes, such that reasonable assurance cannot be provided regarding the achievement of control and/or business objectives under review.

<sup>2</sup> Important recommendations address important deficiencies or weaknesses in governance, risk management or internal control processes, such that reasonable assurance may be at risk regarding the achievement of control and/or business objectives under review.

<sup>3</sup> C = closed, O = open

<sup>4</sup> Date provided by UNAMA in response to recommendations.

## STATUS OF AUDIT RECOMMENDATIONS

## Audit of fuel operations in the United Nations Assistance Mission in Afghanistan

Recom. no.	Recommendation	Critical <sup>1</sup> / Important <sup>2</sup>	C/ O <sup>3</sup>	Actions needed to close recommendation	Implementation date <sup>4</sup>
6	UNAMA should prepare fuel emergency response plans for all its locations where fuel is received, stored and dispensed, and conduct exercises regularly to verify the validity of the plans.	Important	O	Receipt of evidence that exercises are being regularly conducted to test the adequacy of fuel emergency response plans.	September 2014
7	UNAMA should obtain and review the adequacy of the vendor emergency response and fire prevention and control plans, and ensure that they are effectively implemented by the vendor.	Important	C	Action taken.	Implemented

# **APPENDIX I**

## **Management Response**

United Nations  Nations Unies

UNITED NATIONS ASSISTANCE MISSION IN AFGHANISTAN  
UNAMA

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INTEROFFICE MEMORANDUM

Date: 17 June 2014

**To:** Ms. Eleanor T. Burns  
Director, Internal Audit Division, OIOS

**From:** Timothy Crowley   
OiC, Mission Support, UNAMA

**Subject:** Assignment No. AP/2014/630/02 -  
UNAMA draft response on audit of fuel operations

1. I take this opportunity to thank you for the subject audit findings listed under Assignment No. AP/2014/630/02 dated 3 June 2014.
2. Please find enclosed the Mission's response provided in the attachment - Appendix I - Audit Recommendations.
3. The comments related to the SOP were discussed and agreed at the exit conference.
4. I thank you once again for providing the opportunity to address these audit observations.

Best regards.

cc. Ms. Dominique Eliaers-Wouters, Chief of Staff, UNAMA  
Mr. William K. Smith, Chief, Technical Services, UNAMA  
Mr. Zulfiqar Gill, Chief Resident Auditor, UNAMA  
Ms. Anna Halasan, Professional Practices Section, Internal Audit Division, OIOS

## Management Response

## Audit of fuel operations in the United Nations Assistance Mission in Afghanistan

Rec. no.	Recommendation	Critical <sup>5</sup> / Important <sup>6</sup>	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
1	UNAMA should review and up-date its standard operating procedures on the receipt and inspection of ground fuel and ensure that newly assigned staff are adequately trained on the receiving and inspection function.	Important	Yes	Chief of Mission support (CMS)/Chief Fuel Unit	6 May 2014	UNAMA has clarified the language and revised the standard operating procedures (SOPs) on page 5 paragraph 1.5 and the CMS approved on 27 April 2014. Please refer to Attachment 1 – Regional Administrative Officer’s (RAO)/Deputy Regional Administrative Officer’s (DRAO) signatures receiving Fuel in the regions. & Att. 2 - density conversions done at each locations to determine the quality and quantity of fuel before receiving, as per previous sent Appendix 1 and new Attachment 1b – List of UNAMA Regional staff trained and authorized to sign for fuel. UNAMA suggests the closure of this recommendation as implemented.
2	UNAMA should perform a monthly reconciliation between log sheets of fuel issued by the vendor to fuel trip tickets of fuel consumed as recorded by drivers. Differences identified should be followed up and promptly resolved.	Important	Yes	CMS/Chief Fuel Unit	1 September 2014	UNAMA has clarified the language and revised the SOP on page 5 paragraph 1.6 and the CMS approved on 27 April 2014. Monthly reconciliation between log sheets of fuel issued by the vendor with fuel trip tickets of fuel consumed as recorded by drivers is ongoing. However, not all sections with vehicles

<sup>1</sup> Critical recommendations address significant and/or pervasive deficiencies or weaknesses in governance, risk management or internal control processes, such that reasonable assurance cannot be provided regarding the achievement of control and/or business objectives under review.

<sup>2</sup> Important recommendations address important deficiencies or weaknesses in governance, risk management or internal control processes, such that reasonable assurance may be at risk regarding the achievement of control and/or business objectives under review.

## Management Response

## Audit of fuel operations in the United Nations Assistance Mission in Afghanistan

Rec. no.	Recommendation	Critical <sup>5</sup> / Important <sup>6</sup>	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
						submit the trip tickets for reconciliation. Recommendation is ongoing.
3	UNAMA should conduct regular physical verifications of fuel inventory in all locations, reconcile results with fuel records to ensure that fuel stockholdings are accurate, and take action to resolve differences.	Important	Yes	CMS/Chief Fuel Unit	1 October 2014	UNAMA has clarified the language and revised the SOP on page 6 paragraph 1.10 and the CMS approved on 27 April 2014. Physical verification is being conducted as a continuous process. e.g Kandahar and Mazar. Memo sent by Chief Technical Services to all RAO/DRAO to detail their responsibility. Recommendation is ongoing. <i>Reference to Attachment 3- Physical Verification sent previously.</i>
4	UNAMA should review the capability of locally available fuel testing laboratories in Afghanistan or consider enhancing its in-house capacity to ensure the quality of fuel.	Important	Yes	CMS/Chief Fuel Unit	6 May 2014	UNAMA has clarified the language and revised the SOP on page 20 paragraph 3.2 and the CMS approved on 27 April 2014. A survey was conducted to have an independent fuel testing laboratories in Afghanistan. The one available did not have any accredited certifying body. Therefore, UNAMA enhanced its in-house capacity of ensuring fuel quality checks are carried out. All locations have been supplied and trained on how to used water finding paste to determine the presence of water, transparent glass jars and stainless steel buckets are also supplied to each location to determine the presence of particulate matter in the fuel supply by the vendor before acceptance. In

## Management Response

## Audit of fuel operations in the United Nations Assistance Mission in Afghanistan

Rec. no.	Recommendation	Critical <sup>5</sup> / Important <sup>6</sup>	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
						addition, hydrometers and thermometers are also placed at each location to determine the quality and quantity of fuel received from the vendor at each location. <i>Reference to Attachment 4- Attendance Training Log per location sent previously.</i> UNAMA suggests the closure of this recommendation as implemented.
5	UNAMA should enhance security measures at fuel facilities by implementing the recommendations made in the fire risk assessments, and if these are not feasible, implement alternative measures to ensure that risks of fire at fuel facilities are adequately mitigated.	Important	Yes	CMS/Chief Supply Section	1 July 2015	Consultation on the feasibility of the recommendations made in the fire risk assessment between the Fuel Unit, Engineering Section and Fire Safety Unit is completed. Planning of minor works by Engineering Section is currently in progress. Completed works will be inspected jointly by Supply Section and Fire Safety Unit. <i>Revert to Attachment 5 - Mail from Chief Fire Unit &amp; Attachment 6- Assessment and Recommendations from Fire Unit sent previously.</i>
6	UNAMA should prepare fuel emergency response plans for all its locations where fuel is received, stored and dispensed, and conduct exercises regularly to verify the validity of the plans.	Important	Yes	CMS/Chief Fuel Unit	1 September 2014	UNAMA has inserted a new annex and revised the SOP at Annex C and the CMS approved on 27 April 2014. Emergency response plan has been revised on the SOP and exercises are being carried out. e.g Kandahar was trained on use of the spill kits. Practicing is a continuous process. Recommendation is ongoing. <i>Revert to Attachment 7- Spill Kits training previously sent.</i>

## Management Response

## Audit of fuel operations in the United Nations Assistance Mission in Afghanistan

Rec. no.	Recommendation	Critical <sup>5</sup> / Important <sup>6</sup>	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
7	UNAMA should obtain and review the adequacy of the vendor emergency response and fire prevention and control plans, and ensure that they are effectively implemented by the vendor.	Important	Yes	CMS	6 May 2014	The mission has received, reviewed and accepted from our fuel supplier their emergency response plans to comply with Section 27.6 of the contract. Vendors' emergency response plans have been obtained and reviewed to ensure their effectiveness. <i>Revert to Attachment 8- National Fuel Co-operation- NFC, Emergency Response Plan as previously sent.</i> UNAMA suggests the closure of this recommendation as implemented.