



INTERNAL AUDIT DIVISION

REPORT 2014/138

Audit of warehousing facilities in the African Union-United Nations Hybrid Operation in Darfur

Overall results relating to the management of warehousing facilities in the African Union-United Nations Hybrid Operation in Darfur were initially assessed as unsatisfactory. Implementation of two critical and three important recommendations remains in progress

FINAL OVERALL RATING: UNSATISFACTORY

15 December 2014

Assignment No. AP2014/634/10

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AUDIT REPORT

Audit of warehousing facilities in the African Union-United Nations Hybrid Operation in Darfur

I. BACKGROUND

1. The Office of Internal Oversight Services (OIOS) conducted an audit of warehousing facilities in the African Union-United Nations Operation in Darfur (UNAMID).
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. UNAMID self-accounting units were responsible for storing their inventory in warehouses. The warehouses were located in sector headquarters in El Fasher, Nyala, El Geneina, El Daien, Zalingei, Khartoum and Entebbe. In November 2013, UNAMID established a new warehousing concept of centralizing warehousing operations to improve warehousing practices, reduce inventory levels, dispose of obsolete stocks and reduce risk of loss through theft. The Centralized Warehousing, Receiving and Inspection and Property Disposal Section (also referred to as the Centralized Warehouse Section) was headed by an officer at the P-5 level and had 22 international staff and 28 national staff.
4. UNAMID had 31.9 million items in stock valued at about \$797 million at the end of fiscal year 2012/13 and 32.6 million items in stock valued at about \$726 million at the end of fiscal year 2013/14.
5. Comments provided by UNAMID are incorporated in italics.

II. OBJECTIVE AND SCOPE

6. The audit was conducted to assess the adequacy and effectiveness of UNAMID governance, risk management and control processes in providing reasonable assurance regarding the **effective management of warehousing facilities in UNAMID**.
7. The audit was included in the 2014 risk-based work plan of OIOS due to operational, safety and financial risk relating to warehousing facilities.
8. The key controls tested for the audit were: (a) risk assessment; and (b) regulatory framework. For the purpose of this audit, OIOS defined these key controls as follows:
 - (a) **Risk assessment** - controls that provide reasonable assurance that risks and opportunities relating to the planning and management of warehousing facilities are analyzed as a basis for determining how the risks should be managed.
 - (b) **Regulatory framework** - controls that provide reasonable assurance that policies and procedures: (i) exist to guide the management of warehousing facilities; (ii) are implemented consistently; and (iii) ensure the reliability and integrity of financial and operational information.
9. The key controls were assessed for the control objectives shown in Table 1.

10. OIOS conducted the audit from July to September 2014. The audit covered the period from 1 July 2012 to 30 June 2014. OIOS visited 17 of the 21 warehouses in four of the five sectors.

11. OIOS conducted an activity-level risk assessment to identify and assess specific risk exposures, and to confirm the relevance of the selected key controls in mitigating associated risks. Through interviews and analytical reviews, OIOS assessed the existence and adequacy of internal controls and conducted necessary tests to determine their effectiveness.

12. The audit was limited to the management of warehousing facilities and did not cover expendable inventory management, which was covered under another OIOS audit conducted in 2014.

III. AUDIT RESULTS

13. The UNAMID governance, risk management and control processes examined were initially assessed as **unsatisfactory**¹ in providing reasonable assurance regarding the **effective management of warehousing facilities in UNAMID**. OIOS made five recommendations to address the issues identified. Warehousing facilities were not managed according to requirements. As a result, UNAMID needed to: (a) complete the centralization of warehousing operations; (b) conduct a storage requirement analysis to determine the number, suitability and size of warehouse facilities; (c) enhance warehouse security measures; (d) improve on warehouse fire safety systems; and (e) install health and safety measures in warehouses.

14. The initial overall rating was based on the assessment of key controls presented in Table 1 below. The final overall rating is **unsatisfactory** as implementation of two critical and three important recommendations remains in progress.

Table 1: Assessment of key controls

Business objective	Key controls	Control objectives			
		Efficient and effective operations	Accurate financial and operational reporting	Safeguarding of assets	Compliance with mandates, regulations and rules
Effective management of warehousing facilities in UNAMID	(a) Risk assessment	Partially satisfactory	Partially satisfactory	Partially satisfactory	Partially satisfactory
	(b) Regulatory framework	Unsatisfactory	Unsatisfactory	Unsatisfactory	Unsatisfactory

A. Risk assessment

Approved concept of operation for central warehousing was not yet implemented

15. The Mission Support Division approved the concept of operation for Centralized Warehousing and Assets Management on 17 November 2013. The new concept required UNAMID to centralize warehouses managed by various self-accounting units by December 2013. The Human Resources

¹ A rating of “**unsatisfactory**” means that one or more significant and/or pervasive deficiencies exist in governance, risk management or control processes, such that reasonable assurance cannot be provided regarding the achievement of control and/or business objectives under review.

Management Section was required to formulate a new staffing table that incorporated the approved central warehousing concept by the end of November 2013, with all staff members being assigned to the Centralized Warehouse Section by December 2013.

16. UNAMID had not yet implemented its concept of operations for central warehousing. As of 30 June 2014, while asset managers for engineering, transport and supply warehouses were reporting directly to the Centralized Warehouse Section, each self-accounting unit was still maintaining their respective staffing structures and taking responsibility for their inventory. This was mainly because the Mission Support Division had not developed a plan to review and consolidate warehousing facilities under the leadership of the Chief of the Centralized Warehouse Section. As a result, planned efficiencies had not been achieved.

(1) UNAMID should develop a plan for implementing its centralized warehousing concept in order to achieve expected efficiencies and effectiveness relating to centralized warehouses.

UNAMID accepted recommendation 1 and stated that implementation challenges were anticipated and the issue of aligning human resources, facilities and processes were hindered by staff attrition and recruitment freeze. The proposed streamlining provided the Mission with new opportunities to review the central warehousing concept consistent with the audit recommendation. Recommendation 1 remains open pending receipt of evidence of the results of the proposed review of the central warehousing concept and its implementation.

Warehouse sites and facilities were not adequately assessed and upgraded

17. The Department of Peacekeeping Operations/Department of Field Support (DPKO/DFS) Guidelines on Warehousing Operations for Field Missions required UNAMID to select locations of warehouses after conducting full security surveys to identify risks and establish necessary mitigating measures. The Guidelines also required UNAMID to carry out a storage requirement analysis to identify key storage and handling requirements for various inventories stored, and to guide decisions on the number, size and suitability of warehouse facilities, taking into account environmental conditions.

18. OIOS visits to 17 out of 21 warehouses in four out of five sectors, review of documents and interviews with staff indicated that UNAMID: did not conduct the required security surveys prior to the selection of sites for its warehouse facilities, except for one previous facility that was operated by a former Mission's rations contractor in the Super Camp in El Fasher. Also, UNAMID continued to use soft wall warehousing structures and sea containers although these were proven to be not suitable for certain items due to hot weather. For example, in Nyala over 500 tons of cement valued at \$41,973 kept in sea containers was destroyed in 2014 because of improper storage in sea containers. UNAMID was not using its 28 custom-made and insulated prefabricated steel warehouses (valued at \$1,768,000) kept at the engineering warehouse in Nyala, which were more suitable to the Mission's weather conditions.

19. Moreover, UNAMID had not conducted an analysis of its storage requirements to guide decisions on the number, size and suitability of its warehouses, taking into account environmental conditions. The move to a centralized warehousing system was thus not supported by a documented storage requirement analysis.

20. The above conditions resulted as UNAMID did not give adequate attention and priority to warehousing operations, and did not take action to upgrade warehouse facilities to the recommended hard wall structures to ensure adequate security and protection of stored items against harsh weather conditions. UNAMID also did not consider the need for assessing warehouse facilities and sites during its start-up phase and in succeeding periods, and therefore had not taken action to upgrade its warehousing

and storage facilities. As a result, warehousing facilities in UNAMID were prone to theft, flooding, other severe weather conditions and inappropriate storage methods as referred to later in the report.

(2) UNAMID should, as part of its plan to centralize warehousing: (a) assess current warehouse sites and conduct a storage requirement analysis for use in making decisions on the number, suitability and size of warehouses to be established; and (b) utilize the 28 prefabricated steel warehouses available in stock to reduce the excessive use of sea containers as storage facilities.

UNAMID accepted recommendation 2 and stated that it had sufficient resources to mitigate potential damage from seasonal flooding and would conduct further investigations into the affected locations. The Mission did not use the prefabricated steel warehouses due to the anticipated dedicated hard wall facilities to be completed by 2014; but this project was cancelled in June 2013 and the feasibility of installing the prefabricated warehouses would be explored. Recommendation 2 remains open pending receipt of evidence that the storage requirement analysis has been conducted and measures implemented to improve warehousing facilities.

B. Regulatory framework

There was a need to evaluate warehouse security systems

21. The DPKO/DFS Guidelines on Warehousing Operations for Field Missions required UNAMID to conduct periodic security assessments of warehousing facilities. UNAMID was also required to ensure that: warehouses were locked at all times when not in operation; warehouse premises were fenced off and checkpoints established at entry points; adequate lighting was available both inside and outside of the warehouses; movement detectors and closed-circuit television cameras (CCTV) were installed to increase overall security; and that two individuals were present for all receiving, storage and shipping operations.

22. OIOS visits to 17 out of 21 warehouses indicated that the warehouses were adequately locked when not in operation and the premises were fenced off. OIOS also observed the following:

- (a) There were no checkpoints at entrances in 14 of the 17 warehouses;
- (b) Some areas around warehouses had inadequate lighting and there were no motion detectors in all the 17 warehouses;
- (c) Four of the 17 warehouses had CCTV, which either were not operational or were not being monitored by the Security Section. UNAMID had not conducted a feasibility study for the installation of CCTV for its other warehouses; and
- (d) The warehousing infrastructure was extensively dispersed within the Mission camps making it difficult to plan and police the premises. The Geospatial Information and Telecommunications Technology, Transport, Engineering, Supply and Medical sections each maintained separate warehousing infrastructure in different locations within the super camps. This required a significant number of the already strained security personnel to protect the warehouses as required. The implementation of centralized warehousing would partially address this issue.

23. The lack of adequate security in and around warehouses resulted as UNAMID did not conduct periodic security assessments of warehousing facilities and implement measures to enhance identified

security gaps. As a result, there were several cases of theft/misplacement of inventory items from warehouses. The reported cases of such theft and missing items totaled \$4.16 million in fiscal years 2012/13, 2013/14 and 2014/15. The Mission had initiated investigations on some of these cases for appropriate action.

(3) UNAMID should assess and upgrade security measures in and around its warehousing facilities.

UNAMID accepted recommendation 3 and stated that it had conducted a security assessment in El Fasher and would perform such assessments Mission-wide. The Department of Safety and Security was studying the recommendations from the assessments, while some recommendations were already being implemented such as the consolidation of sea containers in a central location. Recommendation 3 remains open pending OIOS verification that security measures in and around warehouses have been enhanced.

Warehouse fire safety systems needed to be improved

24. The DPKO/DFS Guidelines on Warehousing Operations for Field Missions required UNAMID to: install in all warehouses a fire detection system; put up appropriate signage prohibiting smoking; install fire extinguishers and ensure that they were maintained regularly; establish an evacuation plan in case of fire; assign fire wardens; outline fire exit routes and conduct regular fire safety inspections.

25. OIOS visits to 17 warehouses indicated that UNAMID had not conducted fire safety assessments of its warehousing facilities and had not installed the required firefighting infrastructure in warehouses for the Engineering, Transport, Supply, and Geospatial Information and Telecommunications Technology sections in El Geneina, Nyala and El Fasher. None of the warehouses visited had fire detection systems, signage prohibiting smoking and the use of open light or fire, and fire assembly points outside. Further, UNAMID did not conduct fire safety inspections of warehousing facilities and brief staff members on fire safety procedures. UNAMID had also not appointed fire wardens and had not ensured that evacuation plans were not in place, and fire extinguishers were installed.

26. UNAMID did not prioritize implementation of the Board of Inquiry's recommendations and set aside adequate funding after an investigation into a fire incident in April 2009. As a result, the Mission was still exposed to the risk of loss of life and property in the event of a fire.

(4) UNAMID should conduct a fire safety assessment of all its storage areas, identify fire safety hazards and take related corrective actions, and conduct fire safety inspections on a regular basis.

UNAMID accepted recommendation 4 and stated that the duties of the Receiving and Inspection, and Health and Safety Officers appointed since 2010 would be extended to all units with regard to fire safety assessment and corrective action. Recommendation 4 remains open pending receipt of evidence that action has been taken to comply with relevant fire safety requirements.

Health and safety related issues at warehouses needed improvement

27. The DPKO/DFS Guidelines required UNAMID to install in warehouses health and safety related equipment such as first aid stations, eyewash stations, and posters on safe lifting and handling. These stations were to be marked clearly and all staff trained on how to use them. The Guidelines also required

that staff working within the warehouse be provided with basic safety equipment such as hard hats, boots and appropriate protective clothing.

28. OIOS visits to warehouses indicated that facilities in El Fasher, El Geneina, Zalingei and Nyala did not have the required first aid stations, eyewash stations, and posters on safe lifting and handling. Staff members did not always use safety equipment and wear protective clothing. This was due to the lack of enforcement by their supervisors.

29. Inadequate safety measures and practices at the Mission's warehouses created an unsafe working environment and exposed staff members to health and safety hazards.

(5) UNAMID should install health and safety related equipment in all warehouses and enforce the use of hard hats and safety boots for staff working in warehouses.

UNAMID accepted recommendation 5 and stated that measures were in place to ensure that staff working in warehouses complied with health and safety rules and instructions. Specifically, hard hats, safety boots and work gloves had been acquired and issued as appropriate. The measures were also applicable to transient, casual and contracted staff. Recommendation 5 remains open pending OIOS verification of the installation and use of the required health and safety equipment and personal protective equipment.

IV. ACKNOWLEDGEMENT

30. OIOS wishes to express its appreciation to the Management and staff of UNAMID 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 warehousing facilities in the African Union-United Nations Hybrid Operation in Darfur

Recom. no.	Recommendation	Critical ¹ / Important ²	C/ O ³	Actions needed to close recommendation	Implementation date ⁴
1	UNAMID should develop a plan for implementing its centralized warehousing concept in order to achieve expected efficiencies and effectiveness relating to centralized warehouses.	Important	O	Receipt of evidence of the results of the proposed review of the central warehousing concept and its implementation.	31 January 2015
2	UNAMID should, as part of its plan to centralize warehousing: (a) assess current warehouse sites and conduct a storage requirement analysis for use in making decisions on the number, suitability and size of warehouses to be established; and (b) utilize the 28 prefabricated steel warehouses available in stock to reduce the excessive use of sea containers as storage facilities.	Important	O	Receipt of evidence that the storage requirement analysis has been conducted and measures implemented to improve warehousing facilities.	31 March 2015
3	UNAMID should assess and upgrade security measures in and around its warehousing facilities.	Critical	O	OIOS verification that security measures in and around warehouses has been enhanced.	31 March 2015
4	UNAMID should conduct a fire safety assessment of all its storage areas, identify fire safety hazards and take corrective action to address identified deficiencies and conduct fire safety inspections on a regular basis.	Critical	O	Receipt of evidence that action has been taken to comply with relevant fire safety requirements.	31 March 2015
5	UNAMID should install health and safety related equipment in all warehouses and enforce the use of hard hats and safety boots for staff working in warehouses.	Important	O	OIOS verification of the installation and use of the required health and safety equipment and personal protective equipment.	30 June 2015

¹ 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.

² 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.

³ C = closed, O = open

⁴ Date provided by UNAMID in response to recommendations.

APPENDIX I

Management Response

AFRICAN UNION

الاتحاد الأفريقي



UNITED NATIONS

الأمم المتحدة

UNAMID

African Union – United Nations Hybrid Operation in Darfur

Office of the Joint Special Representative

09 December 2014

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

From: Abiodun Bashua
Acting Joint Special Representative, a.i.
UNAMID

Subject: Draft report on an audit of warehousing facilities in the African Union-United Nations Hybrid Operation in Darfur (Assignment No. AP2014/634/10)

1. With reference to your memorandum of 03 December 2014, on the captioned-subject matter, please find attached UNAMID's response (Appendix I) to the draft report for your consideration.
2. I further confirm on the factual accuracy of the report.

Thank you.

cc: Mr. Anthony Nweke, Acting Director of Mission Support Division, UNAMID
Mr. Maqbool Mohammad, Chief, Supply Chain Management, UNAMID
Mr. Barrington Haynes, Officer-in-Charge, Central Warehousing and Assets Management Section, UNAMID
Mr. Prances Sooja, Chief, Resident Auditor, OIOS/UNAMID
Mr. Velayutham Gopal, Audit Focal Point, UNAMID
Ms. Cynthia Avena-Castillo, Professional Practices Section, Internal Audit Division, OIOS

Management Response

Audit of warehousing facilities in the African Union-United Nations Hybrid Operation in Darfur

Rec. no.	Recommendation	Critical ¹ / Important ²	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
1	UNAMID should develop a plan for implementing its centralized warehousing concept in order to achieve expected efficiencies and effectiveness relating to the management of centralized warehouses.	Important	Yes	Chief Supply Chain Management Service	31 January 2015	UNAMID adopted the Central Warehousing concept in November 2013. Implementation challenges were anticipated - as the case with any Project start-up, however the issue of aligning human resources, facilities and processes were stymied by staff attrition, viz: reassignments, assistance to other PK Missions and retirements, resignations and recruitment freeze. The proposed streamlining provides the Mission with new opportunities to review the Central Warehousing Section's (CWS) concept consistent with the auditor's recommendation. A review is planned for early December 2014 with implementation beginning in January 2015.

¹ 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.

² 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 warehousing facilities in the African Union-United Nations Hybrid Operation in Darfur

Rec. no.	Recommendation	Critical ¹ / Important ²	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
2	UNAMID should, as part of its plan to centralize warehousing: (a) assess current warehouse sites and conduct a storage requirement analysis to assist decisions on the number, suitability and size of warehouses to be established; and (b) utilize the 28 prefabricated steel warehouses available in stock to reduce the excessive use of sea containers as storage facilities.	Important	Yes	Chief Central Warehousing Section	31 March 2015	<p>i) Flood Protection – The Mission accepts sufficient resources are available at those affected locations to initiate proactive action to mitigate potential damage from seasonal flooding. This could have been anticipated and further investigations will be undertaken.</p> <p>ii) Pre-fabricated Warehouse - The non-use of these assets was due to an expectation for dedicated hard wall facilities to be completed by 2014. This project had been cancelled in June 2013 and the feasibility for the erection of these units will now be explored.</p>
3	UNAMID should assess and upgrade security measures in and around its warehousing facilities.	Critical	Yes	Chief Central Warehouse Section / Mission Chief Security Advisor	31 March 2015	An assessment has been conducted in MHQ/El Fasher and will be extended Mission-wide. The recommendations are being studied by Department of Field Security and Safety (DFSS) and some recommendations are already being implemented: viz: consolidation of containers in a central location.

Management Response

Audit of warehousing facilities in the African Union-United Nations Hybrid Operation in Darfur

Rec. no.	Recommendation	Critical ¹ / Important ²	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
4	UNAMID should conduct a fire safety assessment of all its storage areas, identify fire safety hazards and take corrective action to address identified deficiencies and conduct fire safety inspections on a regular basis.	Critical	Yes	Chief Central Warehouse Section / Mission Chief Security Advisor	31 March 2015	The recommendation is accepted. The duties of Receiving & Inspection, Health and Safety Officer appointed since 2010 will be extended to all units with regard to fire safety assessment and corrective action.
5	UNAMID should install health and safety related equipment in all warehouses and enforce the use of hard hats and safety boots for staff working in warehouses.	Important	Yes	Chief Central Warehouse Section	30 June 2015	The recommendation is accepted. Measures are in place to ensure staffs working in warehouses comply with health and safety rules and instructions. Specifically, Hard hats, safety boots and work gloves have been acquired and issued as appropriate. The measures are also applicable to transient/casual contracted staff.