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INTEROFFICE MEMORANDUM

MEMORANDUM INTERIEUR

INTERNAL AUDIT DIVISION · DIVISION DE L'AUDIT INTERNE

OFFICE OF INTERNAL OVERSIGHT SERVICES · BUREAU DES SERVICES DE CONTRÔLE INTERNE

TO: Mr. Atul Khare
A: Special Representative of the Secretary-General
United Nations Integrated Mission in Timor-Leste

DATE: 21 April 2008

REFERENCE: IAD: 08- 01250

FROM: Dagfinn Knutsen, Director
DE: Internal Audit Division, OIOS



SUBJECT: **Assignment No. AP2007/682/02 – Audit of fuel management in UNMIT**

OBJET:

1. I am pleased to present the report on the above-mentioned audit.
2. Based on your comments, we are pleased to inform you that we will close recommendations 1 to 3, 5 to 7, 9, 12, 13, 17, 18, and 19 to 21 in the OIOS recommendations database as indicated in Annex 1. In order for us to close the remaining recommendations, we request that you provide us with the additional information as discussed in the text of the report and also summarized in Annex 1.
3. Please note that OIOS will report on the progress made to implement its recommendations, particularly those designated as critical (i.e., recommendations 12, 16 and 21 in its annual report to the General Assembly and semi-annual report to the Secretary-General.

cc: Mr. Hubert Price; Chief of Mission Support, UNMIT
Mr. Colin Stewart, Acting Chief of Staff, UNMIT
Mr. Swatantra Goolsarran, Executive Secretary, UN Board of Auditors
Ms. Maria Gomez Troncoso, Officer-in-Charge, Joint Inspection Unit Secretariat
Mr. Jonathan Childerley, Chief, Oversight Support Unit, Department of Management
Mr. Byung-Kun Min, Programme Officer, OIOS
Mr. Laud Botchwey, Chief Resident Auditor, UNMIT

INTERNAL AUDIT DIVISION

FUNCTION

“The Office shall, in accordance with the relevant provisions of the Financial Regulations and Rules of the United Nations examine, review and appraise the use of financial resources of the United Nations in order to guarantee the implementation of programmes and legislative mandates, ascertain compliance of programme managers with the financial and administrative regulations and rules, as well as with the approved recommendations of external oversight bodies, undertake management audits, reviews and surveys to improve the structure of the Organization and its responsiveness to the requirements of programmes and legislative mandates, and monitor the effectiveness of the systems of internal control of the Organization” (General Assembly Resolution 48/218 B).

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EXECUTIVE SUMMARY

Audit of fuel management in UNMIT

The Office of Internal Oversight Services (OIOS) conducted an audit of fuel management in the United Nations Mission in Timor-Leste (UNMIT). The overall objective of the audit was to obtain reasonable assurance on the adequacy and effectiveness of internal controls over fuel management. The audit was conducted in accordance with the International Standards for the Professional Practice of Internal Auditing.

OIOS found that internal controls over fuel management were not adequate, particularly in the following areas:

- Payments to vendors were sometimes processed without adequate independent verification of supporting documentation from vendors. For example, fuel prices were not verified against the relevant price indices. Reliance was placed on monthly price notifications that were prepared and submitted by the contractors.
- Mechanisms to monitor the consumption of fuel by vehicles and generators were ineffective and inadequate. Formal reconciliations of usage against established vehicle usage standards were not performed on a regular basis.
- There was no contingency plan in place to ensure the continuity of fuel supply. There were also no emergency response plans in place to deal with incidents such as spillages, fire, or injuries to staff. OIOS noted spillages and contaminated soil at generator sites during our inspection visits.
- There were no Mission-specific Standard Operating Procedures (SOPs) to guide the operations of the Fuel Cell. Headquarter-based SOPs and the SOPs from the UN Transitional Administration in East Timor were being used.

OIOS made a number of recommendations to address the internal control weaknesses noted in the report.

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I. INTRODUCTION

1. The Office of Internal Oversight Services (OIOS) conducted an audit of fuel management in the United Nations Mission in Timor-Leste (UNMIT). The audit was conducted in accordance with the International Standards for the Professional Practice of Internal Auditing.

2. By resolution 1704 dated 25 August 2006, the Security Council established UNMIT as a follow-on Mission to the United Nations Office in Timor-Leste (UNOTIL), which has liquidated. One of the major operational requirements for the Mission to fulfill its mandate is fuel for ground and air transportation and for generators.

3. The Mission contracted vendors to supply petroleum, oil and lubricants (POL) in support of its operations. In the start-up stage of the Mission, a number of UNOTIL contracts were extended to ensure the continuity of fuel supply, while competitive bidding for new contracts was being processed. The vendors used in this period included PT Pertamina Persero (for diesel, unleaded and Jet A-1 or aviation fuel; contract ended 30 September 2007), Belak Fuels (for the re-fuelling of UN generators and bulk deliveries to the Regional Service Centers conducting their own re-fuelling), SVSC Tiger Fuels (for the re-fueling of vehicles in the regions), and BP Australia (for the re-fuelling of UNMIT aircraft at Dili and Darwin). On 1 October 2007, UNMIT entered into an agreement with Patrick Defence Logistics for the provision of ground fuel, oils and lubricants and associated support services.

4. In addition, UNMIT had sites that held and distributed UN-owned fuel (UNMIT-operated fuel stations) including in Dili (Transport Section), Oecussi, Maliana and Suai. The Mission has a Fuel Cell which is responsible for the management of fuel contracts with various vendors and the receipt, distribution, storage, issuing and the related record-keeping. At the start of the audit, the Fuel Cell was led by an Officer-in-Charge (OIC). The Cell is now led by a full-fledged Chief, who assumed the post in November 2007.

5. Table 1 shows payments made to fuel vendors. Table 2 shows UNMIT's budgets for POL and POL-related infrastructure for fiscal years 2006/07 and 2007/08.

Table 1: Payments to fuel vendors (in \$'000)

Vendor	Aug 2006 to June 2007	July to Sept 2007
PT. Pertamina	\$2,302	\$661
Belak Fuels	102	29
SVSC Tiger Fuels	232	86
BP Australia	611	117
Total	\$3,247	\$893

**Table 2: Budget for POL and POL-related items
for fiscal years 2006/07 and 2007/08 (in \$'000)**

Particulars	2006/07	2007/08
Facilities and infrastructure: acquisition of fuel tanks and pumps	\$409	\$--
Facilities and infrastructure: POL	5,936	5,195
Ground transportation: POL	317	1,337
Air transportation: POL	1,445	1,248
TOTALS	\$8,107	\$7,780

6. Comments made by UNMIT are shown in *italics*.

II. AUDIT OBJECTIVES

7. The overall objective of the audit was to obtain reasonable assurance on the adequacy and effectiveness of internal controls over fuel management. Specifically, the audit assessed:

- (a) The Mission and the vendors' compliance with fuel contract terms;
- (b) The Mission's compliance with established Standard Operating Procedures (SOPs) for receiving, storing and distributing fuel, as well as the processing of payments of fuel invoices; and
- (c) Whether controls were in place to ensure the continuity of fuel supply.

III. AUDIT SCOPE AND METHODOLOGY

8. The audit covered the period from the start of UNMIT operations (25 August 2006) to 30 September 2007. OIOS reviewed POL contracts, SOPs, including quality assurance procedures and relevant health, safety and environmental policies and procedures, and verified the existence of fuel stocks. OIOS focused mainly on operations in Dili but visited the District of Baucau and the Enclave of Oecussi where fuel sites were located. The lack of a contract for the provision of Jet A-1 fuel is not covered in this audit and is discussed in a separate audit.

IV. AUDIT FINDINGS AND RECOMMENDATIONS

A. Contract management

Purchase order in place of a contract

9. As a result of competitive bidding exercise 7RFP/RM/102/UNMIT conducted in December 2006, UNMIT solicited offers for the supply of diesel for the UN Police and electoral offices located in various regions of Timor-Leste. At the time the tender was issued, UNMIT had not established its total fuel requirements for the Mission. The tender was forwarded to the only two companies in Timor-Leste who had a fuel distribution network in the regions and districts of Timor-Leste. SVSC Tiger Fuels was found to be both technically and commercially compliant and the Procurement Section accordingly issued a purchase order (#7MIT-207169) to this vendor, which has been used in place of a contract from December 2006 through September 2007.

10. The purpose of the issuance of the purchase order was to allow UNMIT to establish its fuel requirements for the full year and to issue a formal Request for Proposal (RFP) to both international and local companies for all UNMIT fuel requirements. The Procurement Section issued a formal RFP on 2 February 2007 and effective 1 October 2007, a new contract was awarded to Patrick Defense Logistics.

Recommendation 1

(1) The UNMIT Mission Support should ensure that in the future, short-term fuel contracts are entered into during periods when fuel requirements are being established.

11: *The UNMIT Mission Support accepted recommendation 1 and stated that this recommendation has been applied for the aviation fuel contract in Dili. A new short-term aviation contract has been signed with PT Pertamina for the period from 19 February 2008 to 18 September 2008, while a bidding process for a long-term contract is on-going. Based on the action taken by UNMIT, recommendation 1 has been closed.*

Vendor compliance with contract requirements

12. As per the ground fuel contract with Pertamina, the vendor was required to:

- Submit a copy of the results of the yearly calibration of all metering equipment to the Mission; and
- Perform routine product specifications and quality tests, where the cost of products used in the sampling should be included in monthly invoices.

13. OIOS was unable to obtain any records showing the yearly calibration of the vendor's metering equipment. Metering equipment are integral to effective fuel management as they are used as a means of determining how much fuel has passed along a pipeline, which in turn is used to monitor the receipt, issue and consumption of fuel.

Recommendation 2

(2) The UNMIT Mission Support should ensure that all vendors comply fully with the contract requirements relating to the calibration of metering equipment.

14. *The UNMIT Office of Mission Support accepted recommendation 2 and stated that the Fuel Cell has received the PDL-Toll's (ground fuel contractor) calibration certificates as of February 2008. The Fuel Cell is in the process of obtaining calibration certificates from PT Pertamina (aviation fuel contractor). The Fuel Cell received calibration equipment in November 2007 and put it into use in January 2008. Based on actions taken by UNMIT and the OIOS' review of the calibration certificates received from PT. Pertamina, recommendation 2 has been closed.*

B. Payments to vendors

Lack of relevant price indices

15. Fuel prices from Air BP and Pertamina included a variable Mean of Platt's Singapore (MOPS) cost which was not verified by the Fuel Cell. Monthly price notifications that include the MOPS component for the previous and the current months were submitted by the vendors to the Fuel Cell at the start of each month. However, the actual Platt's register or extracts from it was not submitted by the vendors and the Fuel Cell had no mechanism in place to verify changes in this variable cost.

16. Monthly invoices from Air BP for the re-fueling of aircraft in Darwin also included an airport through-put fee for each fuelling transaction. Based on OIOS' review of sampled invoices, this fee varied between \$0.01257 and \$0.01454 per liter and has never been verified by the Fuel Cell.

Recommendations 3 to 5

The UNMIT Mission Support should:

(3) Ensure that all vendors whose monthly pricing includes a variable component submit adequate supporting documentation supporting fluctuations in the variable cost;

(4) Consider subscribing to the Mean of Platt's Singapore (MOPS) Register, if considered economical, to ensure that

the Fuel Cell can independently verify fuel prices charged by vendors; and

(5) Ensure that through-put airport fees are verified before invoices are processed for payment.

17. *The UNMIT Mission Support accepted recommendation 3 and stated that the new contractor PDL-Toll provides official supporting documentation - Mean Platts Singapore - since the beginning of their contract on 1 October 2007. This is communicated to UNMIT every month. PT Pertamina has been requested to do the same during the new aviation contract pre-award conference and has agreed to provide it. Based on the action taken by UNMIT, recommendation 3 has been closed.*

18. *The UNMIT Mission Support did not accept recommendation 4 and stated that individual missions do not normally meet the requirements of Platt's for an independent subscription (they are not producers or importers, but solely consumers of a vendor). The Department of Field Support (DFS) has yet to decide whether or not to subscribe to fuel price indices for all peacekeeping missions as a matter of policy. OIOS acknowledges the Mission's response but is still of the opinion that there are benefits in subscribing to the fuel price index. OIOS will keep recommendation 4 open pending the final DFS' policy decision on the matter.*

19. *The UNMIT Mission Support accepted recommendation 5 and stated that there was no contract established with Air BP in Darwin. Therefore, there is no justification to impose any price change on them. The through-put fees are fixed in Australian Dollars by the Darwin Airport Authority for all users. The amount has varied only because of the exchange rate fluctuation between the Australian and US dollars. These fees will be verified from April 2008 onward. Based on the action taken by UNMIT, recommendation 5 has been closed.*

C. Monitoring of fuel distribution and consumption

Inadequate monitoring of the consumption of generator fuel

20. Belak Fuels (Belak) was contracted by UNMIT to deliver generator fuel to various locations throughout Timor-Leste. Belak picked up the fuel from the Pertamina service station in Dili and then transported and delivered them to the various generator sites throughout Timor-Leste. Fuel deliveries to the generator sites in Dili were done on a weekly schedule. For generator sites in the districts, deliveries were made by Belak only after receipt of a distribution request from the Fuel Cell.

21. There was ineffective monitoring of the delivery and consumption of generator fuel. There was no independent monitoring of the quantity and quality of fuel that was picked up from the Pertamina station and subsequently delivered to the generator sites. The Fuel Cell relied solely on the records provided by vendors, and the Receiving and Inspection (R&I) Unit did not perform physical

inspections. R&I reports were certified without actual verification of the quantity and quality of fuel picked up and delivered to the various generator sites.

22. OIOS also noted that for the generators located in the regions and districts, the Fuel Cell did not always receive the running hours of the generators from the Generator Units and the Regional Administrative Officers (RAO). The running hours of generators can be used as an effective tool in monitoring fuel consumption. As stated in section 3.97.2 of SOP 3-73 of the Department of Peacekeeping Operations' Fuel Operations Manual – Contracts Accounting and Management, "...a record of generator 'hours run' is indicative of a usage pattern. This factor, combined with data monitoring, can aid in identifying the misappropriation of fuel."

Recommendations 6 and 7

The UNMIT Mission Support should ensure that:

(6) Spot checks of fuel deliveries are conducted and documented by the Fuel Cell and/or the Receiving and Inspection (R&I) Unit on a regular basis to protect the Mission from paying unverified claims of product quantity and quality delivered; and

(7) There is effective coordination between the Generator Unit, the Regional Administrative Officers and the Fuel Cell regarding the reporting and monitoring of the running hours of generators, to ensure that an analysis of fuel efficiency is conducted and irregularities are identified in a timely manner.

23. *The UNMIT Mission Support accepted recommendation 6 and stated that since 1 November 2007, the R&I Unit inspects the quantity of all bulk fuel deliveries. The Fuel Cell Unit separately performs spot quality checks on contractor tanks and UN generator tanks.* Based on the action taken by UNMIT, recommendation 6 has been closed.

24. *The UNMIT Mission Support accepted recommendation 7 and stated that in Dili, generator running hours are submitted by the Generator Unit to the Fuel Cell on a daily basis since January 2007. The RAOs have consistently submitted the running hours at the end of the month since October 2007. The same applies for UNPol generators.* Based on the action taken by UNMIT, recommendation 7 has been closed.

Inadequate monitoring of vehicle fuel consumption

25. The Fuel Cell uses manual spreadsheets to monitor vehicle fuel consumption. Data from vendor-provided vehicle fuel dockets were being manually entered into spreadsheets and then analyzed for any unusual trends. The Fuel Cell did not use the monthly trip tickets that staff members submit to the Transport Section. Trip tickets can be used as a mechanism to independently

check the accuracy of fuel quantities that are invoiced by the vendors and to monitor vehicle fuel consumption patterns. The Fuel Cell relied on the vehicle fuel dockets that were submitted by the vendors along with the invoices.

26. OIOS also noted that there were no processes in place to monitor fuel consumption for Contingent-owned equipment (COE). Fuel consumption reports submitted by the contingents were inadequate for the monitoring of fuel consumption. Moreover, monthly trip tickets for COE were not required to be submitted to the Fuel Cell.

27. The use of several manual reports and spreadsheets to monitor fuel consumption is tedious and prone to errors. The spreadsheets were also not being prepared on a regular basis, which does not allow for effective monitoring of fuel consumption.

Recommendation 8

(8) The UNMIT Mission Support should implement an electronic fuel monitoring system to help mitigate the risks and inefficiencies involved in using manual spreadsheets.

28. *The UNMIT Mission Support accepted recommendation 8 and stated that the CarLog system has been implemented, which facilitates the monitoring of fuel consumption. DFS is responsible for implementing the Mission Electronic Fuel Accounting System (MEFAS) in peacekeeping missions. UNMIT has indicated to DFS its intent to have MEFAS implemented in the Mission. The Fuel Cell is using Excel spreadsheets on a monthly basis since January 2007 and is now reinforced with CarLog data to track unusual consumption patterns. The Formed Police Unit's (FPU) Logistics Officer provides monthly reports on COE fuel consumption since the FPUs arrived in UNMIT. Recommendation 8 remains open pending the implementation of MEFAS in the Mission.*

Site inspection visits

29. OIOS inspected fuel sites in the District of Baucau and the Enclave of Oecussi and noted the following inefficiencies in the monitoring of fuel distribution and consumption:

- There were insufficient records of evaporation and sampling losses for fuel operations in Oecussi. The Fuel Cell has not fully implemented DPKO's evaporation and sampling percentage allowances to calculate and adjust for expected losses. OIOS was only able to obtain a record of the loss calculation for the month of January 2007.
- While the Fuel Cell indicated that random dips on bowsers and sampling of the generator and emergency fuel tanks were being conducted on a regular basis, there were no records to support the results of such tests. OIOS also noted that calibration of the vendor's metering equipment was not performed and calibrated dip sticks were not available at the sites visited.

- Breather pipes on some of the generator fuel tanks were left open allowing rain water to seep into the tanks. OIOS noted no evidence of daily water drainage of fuel tanks and periodic quality assurance tests on bulk deliveries.

- In Oecussi, fuel stock that had been sitting as a reserve in a UN-owned tanker for over six months was dispensed into the generator tanks a few days before the site inspection. Five thousand liters of fuel in the emergency fuel tanker was dispensed into the generator tanks by a national staff on 12 and 13 November 2007, without any authorization from the Fuel Cell and the Fuel Cell was unaware that the reserve tank was empty. OIOS was provided with questionable records to support the use of the fuel in the emergency tanker. The RAO also informed OIOS that on the date of the site inspection, the national staff had attempted to refill the reserve tank with fuel owned by Patrick Defense Logistics (a new vendor supplying ground fuel effective 1 October 2007), without the authority of the RAO. This was intercepted by the RAO.

Recommendations 9 to 13

The UNMIT Mission Support should ensure that:

(9) The Fuel Cell adheres to the Department of Peacekeeping Operations' evaporation and sampling percentage allowances to calculate and adjust for expected losses and that adequate records of any such losses are maintained;

(10) The Fuel Cell maintains adequate documentation to support the performance of random dips and tank sampling;

(11) The Fuel Cell is provided with the necessary equipment and testing kits to conduct water checks;

(12) The Fuel Cell authorizes any use of fuel in emergency tankers and that reserve tanks are refueled immediately after use. The Fuel Cell should check the reasons for the use of the fuel in the emergency tanker and why an attempt was made to refill the tanker without the knowledge and authority of the Fuel Cell; and

(13) Fuel stock stored in emergency tankers are rotated on a regular basis, at least every six months.

30. *The UNMIT Mission Support accepted recommendation 9 and stated that the evaporation and sampling percentages only apply to bulk fuel held by UNMIT. Per the DPKO Fuel Manual, bulk fuel is defined as fuel held in trucks and storage tanks of 5,000 litres or more. These do not include generator operating tanks. As UNMIT does not own the fuel held by the ground and*

aviation fuel contractors, this provision does not apply to contractor fuel. The Fuel Cell has developed an SOP (FUSOP 3 - Bulk Fuel) in which bulk fuel owned by UNMIT and held in UNOE, FPU bowzers and the strategic fuel reserve are subject to routine dips and reconciliation. The Fuel Cell will check the reconciliations and, if required, implement DPKO's evaporation and sampling percentage allowance. Based on the action taken by UNMIT, recommendation 9 has been closed.

31. *The UNMIT Mission Support accepted recommendation 10 and stated that random dips are performed during site inspections and the results are documented on standard forms and filed. SOPs on the process have been drafted. Recommendation 10 remains open pending the finalization of SOPs on the performance of random dips and tank sampling.*

32. *The UNMIT Mission Support accepted recommendation 11 and stated that the Fuel Cell is equipped with water check equipment and has been conducting regular checks on UNOE and contractors' tanks since 1 October 2007. UNMIT expects locks on generator tanks to be installed by the end of June 2008. Recommendation 11 remains open pending confirmation by UNMIT of the installation of generator locks in June 2008.*

33. *The UNMIT Mission Support accepted recommendation 12 and stated that any use of emergency tankers' fuel is only authorized by the Fuel Cell. Apart from the breach in procedures mentioned in this audit, no abnormalities were found in the use of the fuel in the reserve tank in Oecussi. The local staff, who used to be a Fuel Cell staff member, was informed about a rotation fuel delivery in the tanker and did not consult the new RAO, who was not yet familiar with the procedures. The Fuel Cell also conducted an investigation into the moving of the bowser fuel to the generator tanks and the consumption patterns for the previous six months were checked for Oecussi, and no evidence of fraud or misappropriation was found. RAOs are now systematically briefed about their responsibilities regarding the daily fuel monitoring, and Oecussi RAOs are contacted directly by the Fuel Cell and given written instructions on their responsibilities as regards fuel management. Based on the action taken by UNMIT, recommendation 12 has been closed.*

34. *The UNMIT Mission Support accepted recommendation 13 and stated that the emergency tankers and reserve stocks have been rotated at least quarterly since January 2007. They are now being systematically rotated every two months since January 2008. Based on the action taken by UNMIT, recommendation 13 has been closed.*

D. Continuity of fuel supply

Formal contingency planning

35. The Mission had no formal contingency plan in place that addresses the continuity of fuel supply in the event of a disaster or any other interruption of fuel supply.

36. At the time of the audit, strategic fuel reserves equivalent to 14 days of operations for both diesel and gasoline were being held by Pertamina. However, the Fuel Cell could not conduct a physical verification of the reserve balance as reserves were commingled with the vendor's fuel stock. No aviation fuel reserve was being maintained.

Recommendation 14

(14) The UNMIT Mission Support should: (a) prepare and test a written contingency plan for fuel operations and regularly update it; and (b) re-assess and agree with vendors on the procedures relating to the physical verification of strategic fuel reserves being held by vendors.

37. *The UNMIT Mission Support accepted recommendation 14 and stated that the Mission fuel contingency plan is now in place and has been sent to UNHQ. The Mission strategic fuel reserve is in place with 28,000 liters of UNMIT-owned fuel in UNMIT's Balide Compound. Recommendation 14 remains open pending the Mission's re-assessment of procedures relating to the physical verification of strategic fuel reserves being held by vendors.*

E. Staffing issues

Lack of a permanent Regional Administrative Officer (RAO) in Oecussi

38. OIOS' inspection of the fuel sites in the Enclave of Oecussi revealed that there was no permanent RAO in place. RAOs in Oecussi are rotated on a three-week interval and there is no proper handover of fuel responsibilities during rotation. Fuel operations in Oecussi appeared to be run by a national staff with little or no supervision from the RAO. OIOS noted that the RAO at the time of our inspection had not been fully briefed on his duties, responsibilities and level of authority regarding fuel operations. He was unaware of the weekly and monthly reports that were required to be submitted to the Fuel Cell and these reports were being prepared and submitted by the national staff without any supervision from the RAO. It is the duty of the RAO to oversee the day-to-day fuel operations in the regions and to give clear directives to national staff.

Recommendation 15

(15) The UNMIT Mission Support should expedite the recruitment process for a permanent Regional Administrative Officer in Oecussi.

39. *The UNMIT Mission Support accepted recommendation 15 and stated that a suitable candidate for Oecussi was identified in early January 2008. The staff member is expected to assume the post by late May. The Mission also confirmed that all RAOs have received written terms of reference (TOR) for their duties and responsibilities together with an applicable job description. The relieving RAOs in Oecussi have consistently been issued TORs including POL accountability from the CMS. In addition, the Fuel Cell separately contacts each*

Oecussi RAO with a written list of instructions to be carried out. Recommendation 15 remains open pending the arrival of the staff member selected for Oecussi.

F. Safety, security and environmental practices

40. OIOS' review of the Fuel Cell's safety and environmental practices and inspection visits to fuel sites in Oecussi and Baucau revealed the following:

- No evidence of health safety and environmental policies;
- No evidence of an emergency response plan in the event of incidents such as fire, spillages or injury to staff;
- Insufficient fire extinguishers and "no smoking" signage at fuel sites. OIOS noted several cigarette butts around fuel tanks;
- Fuel tanks in Baucau were not installed on level-ground or hard-surface platforms; and
- Fuel spillages and contaminated soil were noted at generator sites in Baucau and Oecussi and fuel sites were not equipped with spill kits.

Recommendations 16 to 20

The UNMIT Mission Support should ensure that:

(16) Health, safety and environmental policies for the safe handling and management of fuel products are put in place, in accordance with the Department of Peacekeeping Operations' Fuel Operations Manual;

(17) An emergency response plan is put in place at all generator and UN-owned emergency storage sites. The emergency response plans of vendors as agreed in the contracts should also be reviewed for adequacy;

(18) Sufficient fire extinguishers and "no smoking" signs are placed at fuel sites and staff are warned on the risks of smoking in the vicinity of fuel tanks;

(19) All fuel tanks are installed on level-ground or hard-surface platforms to prevent spillages; and

(20) Fuel sites are equipped with spill kits and that fuel spillages and contaminated soil are treated in accordance with UN and international environmental guidelines.

41. *The UNMIT Mission Support accepted recommendation 16 and stated that the Fuel Cell has received and reviewed the entire PDL-Toll (one of the fuel vendors) SOPs including those related to safety and environmental policies. PT Pertamina's SOPs are expected. The Fuel Cell's monthly checks at both UNMIT and contractor sites include environmental protection and site safety plans against the UNMIT checklist developed based on the DPKO Fuel Operations Manual. In addition, the Fire Safety Officer will check adherence to the relevant policies as part of the planned fire safety inspection programme and advise as required. The Mission fuel contingency plan is now in place and has been sent to UNHQ. The Mission strategic fuel reserve is in place with 28,000 liters of UNMIT owned fuel in UNMIT's Balide Compound. Recommendation 16 remains open pending confirmation by UNMIT of the review of PT Pertamina's SOPs.*

42. *The UNMIT Mission Support accepted recommendation 17 and stated that site visits are conducted to assess emergency response plans. As part of the planned fire safety inspection programme, the Fire Safety Officer will assess and amend site emergency plans as necessary. The contractors have provided emergency response plans as per their contracts as of February 2008. Their plans are found satisfactory. Based on the action taken by UNMIT, recommendation 17 has been closed.*

43. *The UNMIT Mission Support accepted recommendation 18 and stated that all contractor's sites are fitted with fire extinguishers and "no smoking" signs. Contractor fuel attendants are trained in fire fighting. The Fire Safety Officer will, as part of the planned Fire Safety Inspection Programme, ensure the provision of signage and extinguishers to all UNMIT installations, and conduct fire safety training for UNMIT fire wardens at all locations. To warn staff about smoking near fuel and other high risk sites, the Fire Safety Officer will send a draft instruction to all staff by 4 April 2008. Recommendation 18 remains open pending OIOS' verification of the placement of sufficient fire extinguishers and "no smoking" signs, and that all passengers are warned on the risks of smoking near fuel tanks.*

44. *The UNMIT Mission Support accepted recommendation 19 and stated that the new ground fuel contractor's fuel tanks have been installed on hard standing and containment berms in five locations since December 2007. The Engineering Section is contracting to complete hard standing and containment systems at 28 generator sites throughout Timor-Leste. Project completion is expected by September 2008. Recommendation 19 remains open pending confirmation by UNMIT of the completion of hard standing and containment systems.*

45. *The UNMIT Mission Support accepted recommendation 20 and stated that the contractor has equipped all their sites with spill kits as of the end of March 2008. All contractor sites holding UNMIT fuel already have sufficient spill containment bunds since contract implementation in October 2007. The Mission is in the process of constructing hard surfaces with channels to trap any fuel spillage at generator installations and fuel tanks at its sites. In addition, the hard surfaces will be made into a bund (have a raised edge all around) to contain fuel leakage. Recommendation 20 remains open pending confirmation*

by UNMIT of the completion of the construction of the hard surfaces with channels to trap any fuel spillage at generator installations and fuel tanks at its sites.

G. Standard operating procedures

46. There are no Mission-specific SOPs to guide the operations of the Fuel Cell. Headquarters-based SOPs and the SOPs of the United Nations Transitional Administration in Timor Leste (UNTAET) are being used but these SOPs do not always address the current Mission's operations.

47. In the absence of Mission-specific SOPs, there is inadequate guidance on quality assurance testing, inspections of fuel sites and deliveries, health safety and environmental policies and the monitoring of fuel consumption.

Recommendation 21

(21) The UNMIT Mission Support should expedite the development of Mission-specific Standard Operating Procedures that will provide guidance on fuel management to suit the operational activities of the Mission.

48. *The UNMIT Mission Support accepted recommendation 23 and stated that Mission-specific Standard Operating Procedures have been developed and are already being followed. These SOPs cover the monitoring of fuel consumption, inspections of fuel sites and deliveries, and quality assurance testing. It is expected that full approval and implementation would occur by 30 June 2008. Recommendation 21 remains open pending the approval and implementation of the SOPs.*

V. ACKNOWLEDGEMENT

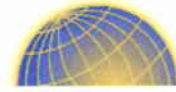
49. We wish to express our appreciation to the Management and staff of UNMIT for the assistance and cooperation extended to the auditors during this assignment.

STATUS OF AUDIT RECOMMENDATIONS

Recom. no.	C/O ¹	Actions needed to close recommendation	Implementation date ²
1	C	Action completed	Implemented
2	C	Action completed	Implemented
3	C	Action completed	Implemented
4	O	DFS' final decision on whether or not to subscribe to fuel price indices.	N/A
5	C	Action completed	Implemented
6	C	Action completed	Implemented
7	C	Action completed	Implemented
8	O	Confirmation by UNMIT of the implementation of MEFAS in the Mission	Implemented
9	C	Action completed	Implemented
10	O	Confirmation by UNMIT of the finalization of SOPs on the performance of random dips and tank sampling	Implemented
11	O	Confirmation by UNMIT of the installation of generator locks in June 2008.	30 June 2008
12	C	Action completed	Implemented
13	C	Action completed	Implemented
14	O	Re-assessment by the Mission of procedures relating to the physical verification of strategic fuel reserves being held by vendors	Implemented
15	O	Confirmation by UNMIT of the arrival of the staff member to assume THE RAO post in Oecussi.	31 May 2008
16	O	Confirmation by UNMIT of the review of PT. Pertamina's SOPs.	25 April 2008
17	C	Action completed	Implemented
18	O	OIOS' verification of the placement of sufficient fire extinguishers and "no smoking" signs, and that all passengers are warned on the risks of smoking near fuel tanks	Implemented
19	O	Confirmation by UNMIT of the completion of hard standing and containment systems.	30 September 2008
20	O	Confirmation by UNMIT of the completion of the construction of the hard surfaces with channels to trap any fuel spillage at generator installations and fuel tanks at its sites.	30 June 2008
21	O	Confirmation by UNMIT of the approval and implementation of UNMIT-specific SOPs on fuel operations	30 June 2008

¹ C = closed, O = open

² Date provided by UNMIT in response to recommendations



INTERNAL AUDIT DIVISION

AUDIT REPORT

Audit of fuel management in UNMIT

21 April 2008

Assignment No. AP2007/682/02
