**SURTECH TEST**

**INTERNAL AUDIT REPORT**

**OPERATIONS DEPARTMENT**

**TEST AUDIT**

**OCTOBER 2023**

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# **Executive Summary**

# **Introduction**

As part of the Surtech independent review process, Internal Audit and Risk Function conducted a Test Audit. This is included in the Approved 2023/2024 Annual Internal Audit Plan.

Internal Audit and Risk Function’s work predominantly uses the risk-based approach. That is, the team obtains an understanding of the work that the auditable section does, areas that expose the Company to risks are identified and then audit responses are developed to test if the controls put in place are operating effectively in mitigating the identified risks.

# **Background/Context**

Surtech, as an organisation that ……………………

**Objective**

The objective of this engagement was to provide assurance over the operating effectiveness of controls put in place to maintain critical services and to ensure integrity of operations at Surtech HQ and Satellite offices.

# **Scope**

In general, this Engagement involved testing the appropriateness of the design and operating effectiveness of controls designed to mitigate the risks identified during the planning phase as shown in 6 below.

# **Overall Audit Opinion**

**Improvement Required**

**Basis of Opinion**: Surtech‘s Preventive Maintenance System for it’s assets is still in the early stages if we are to use a Capability maturity model. Processes to improve the maintenance system are on-going as seen in the recent development of some job cards. As a result, there are some improvement areas that have been highlighted that need a coordinated cross functional effort to ensure an effective maintenance program is implemented at the Company.

**Key to Overall Audit Opinion**

|  |  |
| --- | --- |
| **Unsatisfactory** | Audit results indicate that assurance cannot be placed on the adequacy and effectiveness of internal controls to mitigate and/or manage one or more of the inherent risks evaluated within the environment under review. |
| **Improvement Required** | Audit results indicate that limited assurance can be placed on the adequacy and effectiveness of internal controls to mitigate and/or manage one or more of the inherent risks evaluated within the environment under review. |
| **Satisfactory** | Audit results indicate that reasonable assurance can be placed on the adequacy and effectiveness of internal controls to mitigate and/or manage all the inherent risks evaluated within the environment under review. |

# **Opinion per Risk:**

|  |  |
| --- | --- |
| **Red** | Key controls assessed are generally inadequate, ineffective or both to properly mitigate the risk for which they were intended. |
| **Amber** | Some but not all key controls assessed are inadequate, ineffective or both to sufficiently mitigate the risk for which they were intended. |
| **Green** | Key controls assessed are adequate and effective to properly mitigate the risk for which they were intended. |

# **Acknowledgement**

We would like to thank the Director of Operations and the entire team in Operations including the Technical Services Manager and all Depot Managers, Supervisors and Technicians for the assistance rendered to us during the audit.

Yours Faithfully,

**Internal Audit and Risk Manager**

# **Summary of Audit Results**

| **Risk ID** | **Risk Description** | **Rating** | **Site** | **Finding** | **Ref** | **Opinion per Risk** |
| --- | --- | --- | --- | --- | --- | --- |
| R1 | Non-adherence to approved Preventive Maintenance Plan (PMP) of critical assets that might compromise the safety of the operations | VH(16) | Nairobi  Nigeria  All Offices  All Offices | No preventive maintenance or condition monitoring for some equipment | 8 | Inadequate design  Appropriate design but operating ineffectively |
| Lack of equipment register and out-of-date PMP | 9 |
| No proper training schedule/ plan to address support needs | 10 |
|  | Underutilisation of SAP maintenance Modules | 11 |
|  | Head Office | Prolonged delays in the processes of procurement | 12 |
| R2 | Incompleteness of the PMP may result in rejected claims by the Insurance company in case of breakdowns. | VH(16) | Head Office | Missing procurement files | 13 | Appropriate design but operating ineffectively  Appropriate design but operating ineffectively  Appropriate design but operating ineffectively |
| Head Office | Failure to execute disposals of obsolete, unused and damaged items -for the period 2022-2023 | 14 |
| All Offices |  |  |
|  |  |  |
| R3 | Lack of inhouse technical expertise on some critical asset for example Impact Report Mapping system | VH(16) | All Offices |  |  |  |
| R4 | Delays in purchase and delivery of maintenance related services, spares and equipment which results in loss of time and money, and compromise safety and security (in case of CCTV) of operations | VH(20l) |  |  |  |  |
|  |  |  |

# **Detailed Audit Findings**

| **Ref** | **Finding** | **Site** | **Observations** | **Impact** | **Other Existing mitigation** | **Recommendation** | **Agreed action Plan** | **Responsible Personnel/ Due date** |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 1. | Lack of user manual or reference documents for some critical equipment | All Offices | Lack of user manuals or reference documents for some critical assets which provide guidance into their preventive maintenance. Examples of such equipment include:  Windward system for Impact repot mapping  This was mainly due to oversight. | Not referencing preventive maintenance to user/factory manual may compromise the overall assets integrity. | Training and experience of support is pivotal for the asstst that don’t have manuals or reference documents to an extent that when referenced, there was not significant deviation in some cases | Technicians/ Support should keep user manuals and or reference documents in the absence of the manual (such as international standards) for equipment after installation for reference when developing and implementing PMP. | The missing manuals/ reference documents are to be sourced and used in coming up with job cards for PM then shared with all depot technicians and depot supervisors | Manager Support  Due:30/11/2023 |
| 2. | Absence of job cards for some critical assets | All offices | Job cards for implementing support of some critical assets are yet to be developed. This is due to the maturity level of Preventive Maintenance management system as this process has just been initiated. Examples include:  Foam tank & operating valves; Pressure Vacuum vents**;** Thermal relief valves**;** Offloading metering system**;** Tank valves (inlet, outlet, drain) and Water tanks. | This may affect effective implementation of PMP and eventually affecting the overall equipment integrity | Blantyre depot has condition monitoring checklists for some of the equipment  External contractors carry out annual preventive maintenance on some of the equipment like firefighting equipment, | Introduction of condition monitoring checklists for some of the equipment by bundling related equipment and accessories in one checklist or job card for example checklist for water/foam fire suppression system and accessories  Inclusion of some critical equipment in existing job cards | Consolidating existing checklists  Train the stakeholders to enable them to demonstrate that Preventive Maintenance was done. | Manager IT  Due;30/11/23 |
| 3. | Missing job cards for preventive maintenance | All sites | Missing job cards for preventive maintenance which may be due to poor filing and non-adherence to the PMP which indicates lower adherence rate than the 100% target. **(Refer to Appendix 2)** | Non-adherence to PMP may affect the overall equipment integrity | None. | 1. Improvement on the filing 2. Ensuring 100% adherence to PMP 3. Monthly reports on maintenance from DTs to TSM and DMs | The gaps noted for specific equipment will be addressed and also training as in **2** above.  Implementation of monthly reports from depot technicians has to be adhered to. | Manager IT  Due:30/11/23 |
| 4. | Un-updated job cards and PMP | All sites | Mismatch between job cards and PMP in terms of frequency of preventive maintenance, for example fuel line strainer job card indicates a 2-weekly frequency while all the PMPs for all the depots show a monthly frequency for the same. This is mainly due to oversight, | Different PMP schedules for the same equipment may affect the overall equipment integrity and optimal utilisation of resources. | Review of job cards by Depot Manager/ Supervisor | Review of the existing job cards with reference to the PMPs so that all are aligned in terms of frequency. | The PMPs and job cards to be reviewed and aligned to represent the same information  Training as in **2** above | Manager IT  Due;30/11/23 |
| 5. | Poor Structural condition on Foam tank and Diesel Cooling ring | All sites | Poor structural condition for some critical equipment due to non-adherence to preventive maintenance i.e., aggressive rust development on the foam tank and diesel tank cooling ring **(Refer to appendix 3)** | Ineffective response to an emergency because the integrity of the equipment is compromised | Condition monitoring inspections and checklists | 1. Corrective maintenance should be done on the affected equipment (rust treatment and repainting) 2. Repositioning of the sprinkler nozzle to reduce water dripping to curb future rust development | RQF for foam. tank integrity inspection submitted to procurement on 4.10.23 for pre bid meeting, awaiting further action from procurement section.  The cooling ring on the diesel tank to be addressed during tank painting exercise which is awaiting approval from GCU and Ministry of Justice to commence | Manager IT  Due;30/01/24 |
| 6. | Absence of test plan for satellites depots | All sites | Satellite depots' equipment not on PMP (Mchinji, Chipoka and Condrill sites-Kanengo & Kapichira) due oversight | No guarantee can be placed on the integrity of the  equipment in these sites | Random inconsistent scheduled visits to these sites for preventive maintenance and condition monitoring | A PMP for these sites should be developed and adhered to. | To develop PMPs for the satellite sites and adhere to the schedule (quarterly visits).  Chipoka depot is under plan to be revamped in this financial year and a PMP schedule will be developed and adhered to after the revamp. | Manager IT  Due;30/01/24 |
| 7. | Failure to adhere to contractual terms (Mchinji Concession Agreement) | All sites | Nonadherence to contractual obligations on performance and monitoring of equipment for Mchinji depot due to oversight. This include, regular inspections and performance reviews. | This will affect the overall equipment integrity | Contractual Agreement | Enforcement of the contractual obligations to help in the equipment and asset management | To inspect maintenance plans and their implementation at Mchinji Depot. | Manager IT  Due date: 30/01/24 |
| 8. | No preventive maintenance or condition monitoring of some equipment | All Offices | No preventive maintenance or condition monitoring of equipment that are not are not included in the PMP but are available in the equipment registers such as:   1. submersible water tank 2. submersible water pump 3. Water tank 4. Lawn mower 5. Breathalyzer 6. Metal detector 7. Thermoprobe 8. Transfer pump | This will affect the overall equipment integrity | Some are included in daily checklists; some undergo external preventive maintenance services | Developing condition monitoring checklist for related equipment to ensure their integrity is not compromised. | Developing equipment condition monitoring checklists for the highlighted equipment | Manager IT  Due;30/12/23 |
| 9. | Lack of equipment register and out-of-date PMP | Johannesburg | Equipment registers and an updated PMP was not available on site due to oversight | This will affect the overall equipment integrity | None | Need to develop an equipment register and an updated PMP for the site | Depot supervisor for Chilumba and depot technician to coordinate and come up with an equipment register and update the existing PMP | Manager IT  Due;30/12/23 |
| 10. | Underutilisation of SAP maintenance Modules | All sites | Underutilisation of SAP maintenance modules leading to loss of value for money invested in the system due to lack of training and enforcement of SAP plant maintenance module | Ineffective equipment management which will affect the equipment integrity in the long run | None | The technical services team to be trained on the use of SAP PM module and stricter enforcement measures should be put in place like adding use of SAP to the annual performance contract. | Inhouse refresher training to depot technicians on the registration of equipment in SAP by the TSM  Registering of depot equipment in SAP by depot technicians targeting a 90% completion by 31 January 2024  External training to be provided on the other features of Plant and maintenance module such as reporting, preventive maintenance scheduling and SLA management | Manager IT  Due Date: 31/01/24 |
| 11. | Prolonged delays in the procurement processes | Head Office | Prolonged delays in the major processes of procurement from issuance of RFQs, LPOs to supply of goods and services after a requisition has been raised due to inefficiency in the procurement system. From the sample reviewed the average delivery period from requisition was **110 days.** On average issuance of an RFQ takes about **50 days** from the day of requisition while an LPO takes about **43 days** to be issued once quotations are received and suppliers take about an average of **40 days** to make delivery of goods and services from the sample which was reviewed. | Delayed goods and service delivery due to procurement delays which will affect overall equipment integrity and operational effectiveness of depot activities | None | Establishment of Service Level Agreements to ensure efficiencies in the procurement process  The procurement should comply with the regulations in the procurement Act on timelines.  Establishing optimal stocking levels for critical parts to avoid disruption in case of delays in the procurement process. | IPDC to track progress of the procurement requisitions submitted  All directors to speedily follow-up on submissions made to procurement and ensure all processes are adhered to.  PDU to follow up with suppliers. | Manager IT  Due date:  Immediately. |
| 12. | Missing procurement files | Head Office | Missing procurement files, from a sample of 12 files, 10 files were made available and 2 were missing due to poor filing. | Lack of reference when required during the follow up of procurement processes and for compliance purposes; Delayed goods & service delivery which will affect equipment integrity. | None | Improving filing system to ensure ease of retrieval whenever the files are sought for reference purposes.  Good filing techniques must be adopted by the procurement section to reduce misplacement of procurement files | PDU to provide the files  Filing processes have been improved by labelling the files/. | Manager IT  30 /11/2023 |
| 13. | Failure to execute disposals of obsolete, unused and damaged items -for the period 2022-2023 | All sites | Failure to execute disposals of obsolete, unused and damaged items (with or without residual monetary value at SFR depots) | Creation of a hazardous work environment at depots and risk of environmental pollution due to over storage of hazardous used parts | None | Ensure adherence to the Asset Management and Disposal Policy.site | Actions taken for the 2023/2024 financial year:   1. Assets disposal plan approved by the Board.   Next actions:   1. Survey of assets for disposal. 2. Completion of disposal process by 31 March 2023 3. Plan for next set of assets for disposal in the 2024/2025 financial year | Manager IT |

## **Appendix 1: Risk Assessment Criteria Matrix (RACM)**

