Government Transport

Report by the Auditor General

May 2001

The Auditor General is the head of the National Audit Office, Malta. He and the National Audit Office are totally independent of Government. He examines the accounts of all Government Ministries and Departments and may also examine other public sector bodies. He also has statutory authority to report to the House of Representatives on the economy, efficiency and effectiveness with which Departments and other bodies have used the resources voted annually to them in the Estimates.

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Mr. Speaker,

This Report has been prepared and is being submitted in terms of sub-paragraph 8(a)(ii) of the First Schedule of the Auditor General and National Audit Office Act, 1997 for presentation to the House of Representatives in accordance with sub-paragraph 8(b) of the said Act.

Yours sincerely,

J. G. Galea
Auditor General

The Hon. Speaker
House of Representatives
Valletta

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Executive Summary

Introduction

1 This study has sought to highlight relevant aspects of the way an important segment of Government activity is managed on a day to day basis. Close examination of procedures used by Government departments have indicated inefficiencies in transport related areas.

2 Government's fleet comprises of Government-owned vehicles, hired and leased vehicles as well as vehicles pertaining to the former 'impressed system'. Despite the size of this fleet, Government has no benchmarks related to the utility rate of its fleet. National Audit Office established benchmarks, however, indicate the fleet's utility rate is low.

3 A physical and mechanical inspection exercise carried out by NAO on a representative sample of the fleet shows that the level of maintenance of the fleet is generally below what is now being expected of private cars. It is estimated that significant expenditure is required to bring a good portion of the current fleet up to acceptable VRT levels. It is very doubtful whether expenditure of this kind can be commercially justified to maintain the whole fleet even if it were to be proved that it is required in the numbers obtainable at present.

4 The level of public expenditure incurred by Government to maintain its fleet in garages is significant. However, Government's own fleet is not totally maintained in-house.

5 Besides owning a fleet, Government hires and leases a considerable number of cars on a long term basis. The purpose of such rentals is to alleviate cash flow problems and to cater for one off occasions when extra vehicles are required. A comparative

study of hiring or leasing against purchasing has revealed that purchasing is the cheapest option. However, prior to making such a decision, the level and mode of usage of hired cars still require revision.

6 The following list of the issues urgently need attention:

Multiplicity of Structures

7 Responsibility for Government Transport generally vests with the user departments. This provides increased flexibility in departmental operations but has led to excessive non-standardisation in areas related to record keeping, maintenance practices, the practice of taking vehicles home after official hours, procurement, fuel replenishment and fleet management. The lack of efficiency procedures and standards, the lack of proper job appraisal to determine which jobs really require transport assistance or not, have resulted in diseconomies that need urgent attention.

Condition of Government-owned Vehicles

8 The non-existence of a policy relating to the period a vehicle is retained in the fleet (except for cars designated as fully-expensed vehicles) is resulting in increased costs through extra maintenance and operational inefficiency effecting the fleet and users alike. Departmental maintenance programmes are not viewed as preventative measures but as corrective action. Consequently, most Government-owned vehicles deployed for general transport purposes were not in a good state of repair.

Vehicle Utilisation

9 The utilisation rate of vehicles is considered to be low when compared to National Audit Office established benchmarks. This suggests that either departments have more vehicles at their disposal than required, thus lowering the average utilisation rates,

or vehicles are being used inefficiently and significant vehicle idle time (such as through waiting) results.

Transport Overheads

10 Government's central maintenance unit, housed at the Manufacturing and Servicing Department of the Works Division, was intended to provide maintenance services to all Government vehicles. Centralisation of maintenance in this context was not only thought to maximise economies of scale advantages, but also to provide 'centralised' internal control mechanisms. This Report highlights problems relating to overstaffing in these garages, and the lack of an adequate level of machinery and tools required in a modern workshop. In view of the foregoing, the Government garage system requires a radical rethinking.

Compliance Issues

11 Fleet performance is diminished through non-compliance to existing regulations. Lack of enforcement of regulations is diminishing internal controls and giving rise to improper use of Government Transport. It is also minimising management information through inadequate record keeping. This state of affairs results in a lack of accountability of transport providers and users.

Impressed Vehicles

12 The Impressed system was disbanded during 2000. During the course of this assignment practices relating to the management of the Impressed vehicle system were considered to be unsustainable.

Conclusion

13 The total costs incurred by Government in respect of 'Transport' amounts to circa Lm5 million annually. This cost is

considered as substantial and totals circa 1 per cent of the recurrent expenditure budget. This review, which focused on only half of the 'Transport' budgetary allocation has identified various issues which diminished value for money considerations and impinged on the effectiveness of 'Transport' related internal controls and consequently the generation of accurate management reporting. The enforcement of Transport regulations is weak and in many instances the adherence to regulations, was viewed as an end in itself. The non-compliance to existing regulations has rendered most transport internal controls inoperative or ineffective.

14 In the present situation the NAO is not in a position to guarantee that all transport related costs are being expended for their intended purpose. Moreover, Public Service Management is not in a position to ascertain, from existing records, the actual 'Transport' requirements. This Report points at many of the aspects that call for immediate and radical attention. With a modicum of entrepreneurship, 'Transport' can increase its utility to the Public Service in a more efficient and effective manner.

Part 1 - Background, Scope, Objectives and Authority of this Study

Background

1.1 The use of Transport within the Public service is regulated by Chapter 8 of the Estacode and various circulars issued by the Office of the Prime Minister and the Ministry of Finance. Generally, these regulations provide an internal-control oriented framework of operation.

1.2 Chapter 8 of Estacode ascribes responsibility for travelling, transport and subsistence vouchers to the Heads of the respective departments and their respective Accounting Officers. It also establishes in detail the general principles on which vehicle hire and use is to be undertaken, and the re-imbursement rates to be paid when officials are authorised to use their own means of transport for travelling on official business.

1.3 The main principles established by Estacode can be summarised as follows:

- trips are to be made by the cheapest means of conveyance;
- authorised tariffs are to be used;
- use of Government cars is to be limited to official business except in the case of Heads of Departments;
- *logbook practices:* logbooks are mandatory and mileage has to be registered for each journey;
- *pool:* available transport in a department is to be pooled and managed by a specially designated officer;

- *exclusive use of cars* by one individual is allowed only when the duties of such officers consist only in fieldwork; and

- *liabilities:* public funds will be used to make good for involuntary damage to or by Government-owned cars but drivers are not authorised to accept any liability whatsoever.

1.4 A number of Circulars issued by the Office of the Prime Minister and the Minister of Finance insist that strict control is to be kept of the procurement of parts, repair practice, fuel consumption and inventory practices, including practices related to unserviceable vehicles. (See Appendix I for details).

Scope

1.5 The scope of this Study covers all transport provided by and for Government which is used by Government employees, whatever their grade. Transport of goods for the Government making use of its own vehicles is also included.

1.6 This study is not meant to cover the following types of transport for which Government is also the client:

- transport of children for the Education Department;
- heavy machinery;
- ambulance services;
- fire engines;
- buses and coaches used by various departments;
- motorcycles and scooters;
- embassy cars located outside Malta;
- vehicles used by the Italian Military Mission;

- chauffeur driven transport used to service the Law Courts;
- ministerial cars;
- chauffeur driven transport contracted by the Foreign Office when Official Missions visit Malta; and
- expenditure incurred in respect of maintenance of specialised vehicles or machinery such as patrol boats, aircraft and heavy plant.

1.7 This study also excludes any charges made to transport vote to cover re-imbursement of expenses incurred by Government officials in connection with visits to Gozo and any payments made for the use of personal cars for official purposes.

Objectives

1.8 The specific Objectives of this Study are to:

- analyse the current system of Government transport, as defined for the purpose of this study, as a system;
- audit the procedures used for its procurement;
- assess the condition of the fleet;
- audit current recording and control systems;
- see whether savings can be made within the current system of procurement and fleet management;
- present alternative options for consideration by Government to meet its transport requirements.

Authority

1.9 The Authority for this Study derives from the legal responsibility carried by the Auditor General in terms of sub-paragraph 8(a) (ii) of the First Schedule of the Auditor General and National Audit Office Act, 1997.

Methodology

1.10 This project is based on an attempt to conduct a complete census of all the vehicles that fall under the scope of the present analysis. Each Ministry was served by a questionnaire on the 9 March 1998, in which details about the vehicles registered with the ministry and the departments under its responsibility were requested. The questionnaire primarily sought to collect data on the fleet itself, on compliance levels and on costs incurred to procure and maintain the fleet.

1.11 The data provided by the respective Ministries in turn needed to be validated to ensure that it represented a true picture, and consequently that the conclusions derived from it were both valid and reliable. The following steps were undertaken to validate this data:

- a complete check with the data provided by the Transport Licensing Office for Government-owned vehicles. As a result of this check, disparities emerged and on the 23 November 1999 the respective Ministries were again requested to explain the discrepancies (see par. 2.1 *et seq*.);

- a validation exercise of a 10 per cent representative random sample of vehicles in each category from the whole fleet falling under the scope of this study (Government-owned, Hired Cars and Impressed Cars). This validation exercise covered:

  a) an on-the-spot inspection of the records kept for each of these vehicles; and
  b) an evaluation of all procedures used by the respective departments in respect of these vehicles with special focus on hiring and leasing practices, compliance to regulations and verification of information submitted earlier in response to the questionnaire referred to in paragraph 1.10 above;

- a physical check of the sample composed of Government-owned vehicles covered by paragraph (b) above. This involved:

  a) a complete physical and mechanical inspection conducted by garages officially certified to conduct VRT testing;
  b) an on-the-spot inspection of the records kept for each of these vehicles; and
  c) an evaluation of all procedures used by the respective departments in respect of these vehicles with special focus on procurement practices, compliance to regulations and verification of information submitted earlier in response to the questionnaire referred to in paragraph 1.10 above.

1.12 Theoretically, the physical and mechanical inspection was intended to cover 10 per cent of all Government-owned vehicles but 1.4 per cent of the vehicles selected through the random process described in paragraph 1.13 below could not be conducted because a number of these vehicles had already been scrapped, some were certified by the department as not being roadworthy despite the fact that they were still being used (sic), and four others were undergoing major repairs and were waiting for spare parts.

1.13 A one-step random sampling procedure was used to identify which vehicles in the various categories discussed in paragraph 1.12 above was to be checked. Each vehicle was allocated a number and a computer-generated list of numbers was used. Those responsible for the vehicles selected were requested to take the vehicle for the physical and mechanical inspection at a certified garage on the same day in which the procedures of data checking were undertaken. To ensure that the data was not tampered with, no advance notice was given. At the 95 per cent confidence level this sample size carries a sampling error of 10 per cent. In view of the need to increase the cost to more than five times to halve this sampling error, it was administratively decided

that this level of error was acceptable for the purpose of this study.

1.14 A full analysis of the data collected from the following data collection exercises has been undertaken, and the data generated from them has been used as the main source for the compilation of this Report:

a) a set of Tables covering all Government-owned cars generated from the data provided by the Ministries in response to the first questionnaire;
b) a set of Tables covering those Government-owned cars generated from the data provided by the Ministries in response to the first questionnaire on which this study focuses (see Table 2.2);
c) a set of Tables covering the data obtained on hired cars in service with the Government;
d) a set of tables covering data obtained about impressed cars through the questionnaire and the Department of Labour;
e) a set of data obtained from the validation exercise conducted in respect of a sample of vehicles as indicated in para. 1.11.

1.15 All the data in this Report is based on the position as in 1997 as collected through the 1998 NAO questionnaire, as indicated in the first questionnaire distributed. This data was updated whenever possible, and in the Tables, whenever this is the case, this is clearly indicated either through the provision of longitudinal data or through a note. In this text, data given refers to the 1998 questionnaire, except when it is specifically stated that the data refers to the findings obtained through the sample used for verification purposes as explained above.

1.16 The conclusions on which this study is derived takes all the data generated into consideration, but has limited the inclusion of numerical evidence to the bare essentials. In the text, a number of additional observations, based on qualitative analysis

of facts collected during on site inspection visits are included. All such comments refer to real instances, but since the data is qualitative, it cannot be stated that they are representative of the whole fleet. Their inclusion has been necessary to complete the picture in a number of instances, and to provide points for further analysis.

1.17 In the course of this study, numerous problems had to be overcome. The lack of a standardised recording system presented innumerable difficulties which reflected not only on the quality of administering the fleet, but on the ability to report correctly and in time to requests made by the office of the Auditor General. The existence of a multiplicity of practices, ranging from the minute detail recorded by the Armed Forces, to the frequently very inconsistent entries into logbook systems in other departments and repeated misclassification of accounts made this exercise very laborious.

1.18 Changes in Government practices over time in the mode of acquisition of vehicles also complicated matters, especially in the compilation of capital expenditures. The value of vehicles when quoted was at times submitted as 'duty free', at others 'duty paid' even when the NAO questionnaire requested that such data be submitted on a duty free basis. A level playing field was required to compare like with like, and in subsequent chapters estimates had to be construed on the basis of data that was incomplete. Whenever this had to be resorted to, it is clearly indicated in the text.

1.19 Another difficulty that arose in this exercise relates to the non-existence of detailed accounting practices in respect of services given to Government by its own departments. The capital expenditure involved in the fleet maintenance, other than the purchase of the vehicles themselves, is never apportioned. As such, maintenance costs quoted by the Ministries and the Departments never include this element. Neither do the costs provided by the Ministries include recurrent costs such as the cost of garaging the vehicles or the cost of providing security services

to guard them after office hours. These too are a cost that is present, though mostly hidden in the accounts as kept by the departments and the ministries. The common practice is to consider such personnel and capital costs as sunk costs since regardless of whether they yield a return, such costs would still need to be incurred as things stand at present. This state of facts is commented upon in the Conclusion of this Report.

1.20 Despite these methodological difficulties, a systematic attempt has been made to undertake a holistic assessment of the cost Government has in respect of its transport requirements. The following chapters will first entertain an analysis by type. This will be followed by an analysis of fleet management procedures currently in force. In turn, an attempt, however rudimentary in view of the lack of detailed data, to analyse the capital expenditure will be undertaken.

Part 2 - The Present Situation

Introduction

2.1 This chapter is divided into three sections:

- *size of the fleet and vehicle type:* this section will include a note on the difficulties encountered to validate the data provided by the Ministries and especially to explain the discrepancies between the data provided by them and that provided by the Licensing Department;

- *title for service with the Government*; and

- *replacement and maintenance costs* of that part of the fleet directly owned by it.

Size of Government Fleet and Types of Vehicles

2.2 This chapter deals mainly with Government-owned vehicles. The situation regarding hired and impressed vehicles is described in detail in Parts 6 and 7.

2.3 Government currently engages in ***four*** different parallel practices in the use of vehicles for its purposes, namely *fully expensed cars, general-purpose cars, impressed cars* (now disbanded) and *hired cars.* In order to reach the exact number of vehicles to be covered by this study, several first-level analyses had to be made. Figures and details provided by the Licensing and Testing Department (covering a total of 2204 vehicles as on 31 December 1997) did not tally by 446 with the data included in the returns by the Departments in response to a questionnaire circulated by the NAO as part of this. Conversely 141 vehicles were listed in the returns by the Departments in response to the National Audit Office requests for information that did not

feature in the data provided by the Licensing and Testing Department. In the returns provided by the Licensing and Testing Department, 123 vehicles that actually belonged to Non-Government Organisations were also listed. As many as 211 of the vehicles listed in the Licensing and Testing database had been declared unserviceable and were awaiting disposal, whilst 118 vehicles had already been disposed of. Table 2.1 gives details of the extremely complicated reconciliation exercise of Government-owned vehicles, which was necessary as a preliminary for this study.

Table 2.1: **Data Reconciliation of Government-Owned Vehicles**

Original Data as submitted by Licensing and Testing Department	2204	
Less Non-Government Organisations	123	2081
Plus Data included in Returns by Departments but not included in Licensing and Testing data	141	2222
Less Data Not included in Returns by Departments but included in Licensing and Testing data	446	1776
Less Unserviceable vehicles (awaiting disposal)	211	1565
Less Vehicles since scrapped (Disposed of)	118	**1447**
Less Vehicles not covered by this Study (Coaches, Ambulances & Heavy Plant)	428	**1019**
Less general Utility Vehicles	896	123
Less Fully Expensed cars	123	0

Note: Bold figures indicate the number of vehicles actually in use by Government departments. These figures are broken down further in the next table in the Report. {Types of Government-owned Vehicles (Including Fully expensed)}

2.4 Table 2.2 in turn gives a detailed breakdown of these vehicles by type. From this Table, vehicles that pertain to non-Government organisations, unserviceable vehicles and those that have been scrapped have been excluded. The fourth column gives details of the types of vehicles which this study was intended to study, thus excluding six types of vehicles (210 Heavy Plant, 30 ambulances, 51 buses/coaches, 75 motorcycles, 26 Embassy Cars and 36 Italian Mission Vehicles) which are however listed in the second column.

Table 2.2: **Types of Government-owned Vehicles**
(including fully expensed cars)

Type	Number	%	Number of Government Owned Vehicles covered by this Study	%
1. (Car) including fully expensed	571	39.46	571	56.04
2. (Van)	191	13.20	191	18.74
3. (Jeep/Landrover)	114	7.88	114	11.19
4. (Truck)	143	9.88	143	14.03
5. (Heavy Plant)	210	14.51	-	-
6. (Ambulance)	30	2.07	-	-
7. (Bus/Coach)	51	3.52	-	-
8. (Motor Cycle/Scooter)	75	5.18	-	-
9. (Embassy Cars)	26	1.80	-	-
10. (Italian Mission Vehicles)	36	2.49	-	-
Total	**1447**	**100.00**	**1019**	**100.00**

2.5 The discrepancies referred to in paragraph 2.3 above between the number of vehicles as submitted by departments through the NAO questionnaire and the figures provided by the Licensing and Testing Department were investigated. Of the total number of 446 vehicles, 115 were heavy plants and as such were excluded from this investigation. The Ministries and Departments were requested to provide information on the remaining 331 vehicles. Table 2.3 presents the results of this request.

2.6 It is to be noted that out of this large number of vehicles, satisfactory clarifications were obtained only in respect of 66 vehicles that were found to be still in use, 118 vehicles that had been scrapped, 35 that were reported as sold, and 19 that were transferred. The NAO did not investigate, for the purpose of this study, whether the actions taken to scrap sell or transfer these vehicles followed the correct procedure. Actually the 19 vehicles that were reported to have been transferred did not surface in other departments. Sixty-four vehicles were not traced by the Ministry with which they were registered. No answer was received in respect of another 29 vehicles. Full breakdowns are provided in Table 2.3.

Table 2.3: **Discrepancy Analysis**

Ministry/ Department	Discrepancy Queried	Still In Use	Scrapped	No Trace	No Answer	Sold	Trans-ferred
Office of the President	3	1	1	-	-	1	-
Office of the Prime Minister	24	11	9	-	-	2	2
Home Affairs	10	3	-	-	7	-	-
Ministry for Gozo	12	10	2	-	-	-	-
Foreign Affairs	4	3	-	-	-	-	1
Dept Environment Protection	5	-	-	-	5	-	-
Education	14	7	2	-	-	2	3
Finance	17	5	1	2	-	4	5
Economic Affairs	3	1	-	1	-	-	1
Tourism	3	-	2	1	-	-	-
Ministry for Justice	8	7	-	-	1	-	-
Transport and Ports	1	1	-	-	-	-	-
Environment	145	15	61	56	13	-	-
Health	43	-	40	-	3	-	-
Care for the Elderly	8	-	-	4	-	2	2
Agriculture and Fisheries	31	2	-	-	-	24	5
Total	**331**	**66**	**118**	**64**	**29**	**35**	**19**

The Fleet by Title of Service

2.7 As has been stated above, this study did not concern itself only with Government-owned vehicles, but with other types of vehicles in Government service through hiring contracts and through the impressed system. A breakdown of these vehicles by title of service is provided in Table 2.4. As explained in the note below this Table, the number of hired vehicles has been aggregated to represent the equivalent number of 'car-years' hired by Government.

Table 2.4: **Breakdown of Vehicles in Government Service covered by this study - By Title of Service**

Title Category		*Number*	*%*
Fully Expensed Cars		123	7.1
Government-owned			
Cars	448		
Vans	191		
Jeeps/Landrover	114		
Trucks	143		
Sub-Total		896	51.5
Impressed Vehicles		510[1]	29.3
Hired Cars		211[2]	12.1
Total		**1740**	**100.0**

Note 1: Impressed vehicles as at end March 1998.

Note 2: The actual number of hired cars amounted to 397, but these are not hired for the whole year. When the total number of days for which these cars are hired is aggregated, this amounts to 211 'car years', i.e. 211 cars hired for a whole year.

Costs of Maintaining Government-owned Vehicles

2.8 In the 1998 NAO questionnaire, the Ministries were also requested data on the cost of maintaining Government-owned vehicles. However, the returns were often incomplete. Table 2.5 summarises the data that was actually received. The average cost

per vehicle, as declared in these responses and irrespective of type, is Lm236 per annum. The average maintenance cost for fully expensed cars (at Lm211 per annum) is lower than that for other cars (Lm264 per annum) because they are relatively new. These figures do not include overheads in respect of personnel deployed to perform in house maintenance, machinery and rent.

Table 2.5: **Maintenance Costs (Government-owned vehicles)**

	Actual Number of Vehicles	No of Vehicles for which Data on Maintenance was made Available to the NAO	Cost in respect of Vehicles of which Data is available Lm	Average cost per vehicle Lm
Fully Expensed	123	90	19,013	211
Cars	448	362	95,543	264
Vans	191	152	17,187	113
Jeeps/Landrovers	114	101	27,770	275
Trucks	143	106	32,193	304
Totals	**1019**	**811**	**191,706**	**236**

2.9 Further tables relating to a breakdown of Government-owned vehicles by Category and Fuel used are presented at Appendices II and III of this Report.

Part 3 - Fleet Management

Introduction

3.1 Fleet management is perhaps the most important aspects of a transport system. This chapter will address the following three main issues:

- The Logbook system;
- Fleet utilisation; and
- Transport Inventory.

Logbook System

3.2 The use of general transport is regulated through Estacode and other directives and guidelines issued by the Office of the Prime Minister and the Ministry of Finance.

3.3 Chapter 8 of Estacode, in accordance with fleet management norms, stipulates that records pertaining to journeys made be recorded in a trip logbook. Paragraph 8.2.3.2 stipulates that "*Heads of department are required to see that a logbook, as per the attached specimen, is kept for each Government-owned car or impressed vehicle and that the exact mileage covered during each journey is recorded in the logbook and signed by the officer making the journey. This is essential to enable certifying officers to exercise proper control over the issue of fuel to Government-owned vehicles*". The use of logbooks was further emphasised through circulars issued by the Minister of Finance in 1990 as it was felt that opportunities for economies in the 'transport' area were not being reaped[1].

3.4 The above provisions are seen as enabling management information regarding transport within Government to be collated

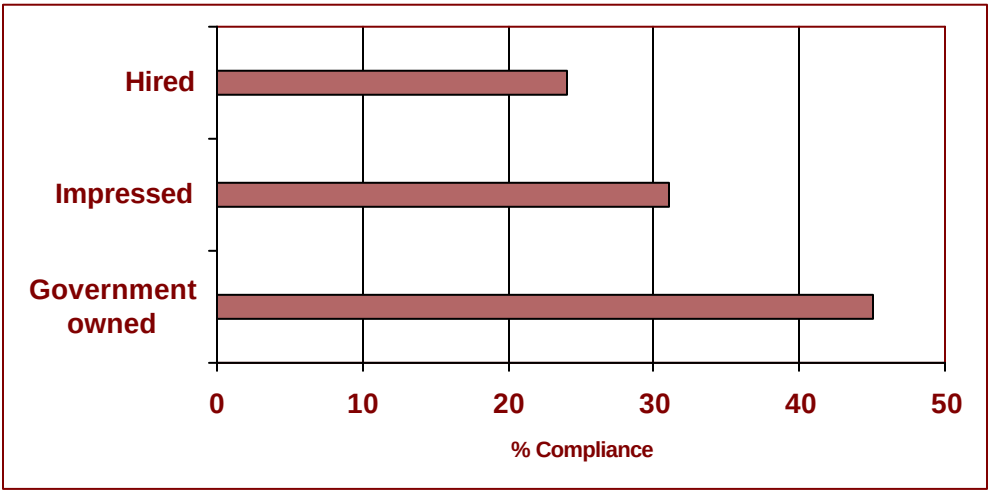
[1] MF Circular 8/90

and analysed for policy decision purposes and provide internal control mechanisms. Moreover, accountability of transport providers and users is encouraged.

3.5 As part of its validation exercise, the National Audit Office collated information regarding the use of transport and fleet management through a Questionnaire and through various interviews held with ministerial and departmental representatives who were generally assigned 'transport' responsibilities. This exercise covered the 10 per cent samples referred to in para. 1.11.

3.6 Not all the departments provided the information requested by the National Audit Office. Generally this was a consequence of inadequate record keeping. On some occasions, it is not clear why departments did not provide the information requested in the Questionnaire. Nevertheless, the information provided was sufficient to conclude that the situation regarding the proper keeping of logbooks in most ministries and departments is far from ideal.

Figure 3.1: **Logbook Compliance by Category of the randomly selected sample**



3.7 As many as 63 per cent of the total vehicles inspected (83 *Government-owned*, 68 *Impressed* and 25 *Hired*) did not maintain a logbook in accordance with the provision stipulated in Estacode and other directives. This estimate is based on an inspection of a random sample[2] used for the analysis described in previous chapters. The major shortcomings noted in this respect related to the following:

- Mileage in respect of 42 per cent of the vehicles inspected could not be recorded since the odometer in the vehicle was not operational. This situation was more common in the older Government-owned vehicles and most impressed trucks. Paragraph 8.2.3.3 of Estacode obliges that all Government-owned vehicles are equipped with a mile meter in good working order. There is no evidence that any effort was made by some departments to at least provide a mileage estimate of trips performed.

- 23 per cent of the trucks (Impressed and Government-owned) did not maintain trip logbooks. One can, however, argue that since trucks employed by Government through the impressed system did not receive any departmental fuel, then it follows that there is no obligation to keep trip logbooks. Although Estacode states that the keeping of such records is essential to enable certifying officers to exercise proper control over the issue of fuel to Government-owned vehicles, it does not imply in any way that impressed truck owners were excluded from keeping trip logbooks.

Other observations

- A significant number of trip logbooks were not endorsed by transport users. Many instances were noted where

[2] At the 95% confidence level this sample size carries a sampling error of 10%.

either the vehicle driver or the officer in charge of transport endorse individual journeys.

- In some instance, besides those related to impressed truck drivers, journey logbooks were not made available for inspection. In a few instances, logbooks, although kept, were not presented for audit purposes since they were inadequately stored.

- Trip logbooks are not certified in terms of paragraph 8.2.3.4. of Estacode. This paragraph stipulates that logbooks are certified by the Head of Department or his representative (a Principal Officer or above) when the vehicle is a car, van or similar type of conveyance, or by the Officer in charge transport in the cases of all other vehicles. Such a procedure is meant to certify that, *"...all the journeys recorded have been on official business…"* Although most logbooks inspected had a form of certification, generally for fuel replenishment purposes, none of this certification complied with Estacode requirements. As a result of this, the on going, efficient and effective fleet management is the loser since the formal aspect of transport supervision is not being performed. However, it is to be noted, that Accounting Officers are still held accountable for any payments made in respect of transport.

- When asked for the logbooks during the inspection, a number of drivers of Government-owned and impressed vehicles claimed that they did not maintain logbooks because they were illiterate. However, this is considered as an insufficient excuse since logbook entries could have been made by personnel making the journey.

- In a number instances it was noted that logbook entries were rendered meaningless, since the daily or individual trip closing and opening odometer readings did not agree. On enquiry, the National Audit Office was

informed that since vehicles are driven by different persons, drivers tend to note the reading at the beginning of the journey without giving any concern to the fact that this reading does not tally with the previous logbook entry.

3.8 The deficiencies noted in the maintenance of trip logbooks minimises internal control and reduces the accountability in the use of general transport within the Public Service.

3.9 One may argue that the provisions of Estacode are outdated. In practice, however, the principles emanating from these provisions can still contribute towards effective and efficient fleet management and enhance *'transport'* accountability. It is felt that weak enforcement and a laissez faire attitude are the major contributory factors in this regard.

Fleet Utilisation

3.10 As part of the validation exercise, additional information intended to be used for an evaluation of the utilisation rates of vehicles was again sought through the representative sample. Data related to trips performed on six particular weeks, spread over 1998, were collected through vehicle trip logbooks. The findings from this exercise are presented in Table 3.1, which shows that it was only possible to collate this information reliably on only 68 out of the 184 vehicles that formed part of the sample. This means that in 63 per cent of the cases analysed, no data was available.

3.11 *Daily Trips Performed by Vehicles*. If one were to take as a working assumption that the data reported in respect of the 68 vehicles for which reliable data was available represented the 'best' scenario, it can be stated that the daily average number of trips[3] performed by General Transport Vehicles amounts to 2.68

[3] A trip was considered as originating from and returning to vehicle base.

journeys of 25.5 km each, resulting in 68.34 km per day. A more detailed analysis of the available data effectively showed that 50 per cent of these vehicles were used for less that 50 km per day. When broken down in 10 km bands, it resulted that as many as 24 per cent of all the vehicles for which data is available covered between 31 – 40 km a day. If it is assumed that vehicles are driven at an average speed of 30km/h, then on average, Government Vehicles are utilized for only 2.3hours. Such a utilization rate, is considered as low when compared to an eight hour average working day.

Table 3.1: **Trips Performed by Vehicles[4]**

		Data Available	Data Not Available	Average trips per day (on available data)	Average distance per trip (on available data) in Kms.	Average distance per day (Kms.)
Government Owned	Cars	13	29	2.8	25.9	72.52
	Vans	7	7	2	22.4	44.80
	Land Rovers/Jeeps	8	5	2.9	26.6	77.14
	Trucks	6	8	3.9	25.0	97.50
Impressed Vehicles	Cars	20	10	2.1	29.9	62.79
	Vans	2	4	2.9	19.5	56.55
	Trucks	3	29	1.5	31.0	46.50
Hired Vehicles	Cars	7	10	2.8	22.4	62.72
	Vans	2	4	4	13.0	52.00
	Trucks	-	2	-	-	-
Total		**68**	**116**			

3.12 To date, a performance measurement criteria for the use of transport has neither been established corporately nor departmentally. Such criteria would need to take into consideration departmental variables in such a way that a

[4] Data presented in Table 3.1 is based on the limited data available in vehicle trip log books. Given the foregoing the conclusions reached are to be treated as indicators of the current situation.

performance evaluation on a departmental basis could be more relevant and realistic. In the absence of performance measurements, management is not in a position to assess 'transport' within their area of responsibility effectively. Currently these assessments, including those used for business planning purposes, are all experience based.

3.13 An indirect way of confirming the utilisation rates of Government vehicles is through an analysis of the fuel quotas established by the Ministry for the Environment for its fleet, currently at 45 litres and 35 litres of petrol and diesel respectively per week. On average, this fuel allocation caters for the vehicle utilisation rates actually obtained through the sample and presented in Table 3.1.

3.14 If these calculations are correct, this shortfall in vehicle utilisation is too large to be maintained and an exercise specifically addressed at a re-assessment of vehicle requirements in departments needs to be undertaken. Such an exercise should target to identify savings ranging from 25 per cent - 50 per cent of the departmental transport items reviewed by this exercise.

Transport Inventory

3.15 The accounting of Government Transport is performed in accordance with the Financial Administration and Audit Act, 1962 and the General Financial Regulations, 1966.

3.16 The line item budgeting system adopted by Government and as presented in the annual Budget Estimates allocates Item No. 27 for transport related expenditure. All costs associated with the local transportation of goods, employees and the Public within the islands of Malta supplied by Government directly or under contract are to be charged to this item of expenditure. Thus vehicle rentals, repairs to vehicles, fuel and other transportation supplies are charged to this item. The procurement of vehicles, however is charged to the item related to Special Expenditure; the

procurement of transport equipment (which nominally includes vehicles) are charged to sub-item 6110.

3.17 Inventories to account for and control Government-owned assets are to be kept in accordance with Ministry of Finance Circular MFCPFI 15/77. This circular provides directives and guidelines vis-à-vis the maintaining of inventory records.

3.18 Asset management within Government is regulated through Ministry of Finance Circular MFCPFI 15/77. Even though it is considered as outdated[5], this Circular provides the internal control and accounting framework for asset management. All departments are obliged to maintain inventory records. It is to be pointed out that directives issued by the Ministry of Finance through MF Circular 14/99 requested Ministries and departments to update their inventory records to enhance financial management.

3.19 In their replies to the 1998 NAO Questionnaire, 69 per cent of the departments claimed that their inventory records are up to date. On site inspections conducted to validate these responses however showed that at the departmental level this information relating to vehicle inventory records is in many cases incomplete.

3.20 In 72.5 per cent of the responses of the 1998 questionnaire the acquisition cost of the vehicles was not provided and the transfer of a vehicle to another department was not always recorded. This situation was more evident in respect of older cars. In view of this situation, the NAO could not always establish the book value of Government-owned cars.

3.21 The full implications of such a situation would become more evident if Government accounts are kept in accordance with

[5] NAO has on various occasions commented upon the need to update inventory regulations so that they reflect current circumstances. For instance, inventory regulations do not provide guidelines vis-à-vis computerised inventory management. Various Reports of the Auditor General refer.

the ‘Accrual System’ instead of the 'Cash-based' system currently in use.

3.22 As has been indicated above in Part 1, the NAO sought to reconcile vehicle information submitted by departments with the vehicle database at the Licensing and Testing Department. This exercise revealed that Licensing and Testing Department Database had records pertaining to some 331 vehicles more than records submitted to the NAO by departments.

3.23 Even when Departments were requested to confirm or otherwise whether the ‘discrepant’ vehicles were still in their charge or whether they have been scrapped or transferred the information given was not fully satisfactory[6].

3.24 Generally, the above situation arises since departments do not always inform the Vehicle Licensing and Testing Department of vehicle movements. Consequently departmental vehicle records as well as Government’s main vehicle database (Licensing and Testing) are rendered incorrect. Apart from *‘Inventory’* implications, the latter effect can potentially lead to instances where Police investigations are hindered due to database incompleteness in respect of Government-owned Vehicles.

3.25 Instances were also noted where vehicles have been certified as unserviceable and have been awaiting the Board of Survey authority for disposal for a significant period, which on some occasions may extend to years. Not only are these vehicles occupying ‘valuable’ space but since a long period of time has elapsed departments have not continued to account for them; consequently the discrepancy with Government’s vehicle database.

3.26 Another possible contributory factor is that departments disposed of unserviceable vehicles prior to approval by the

[6] The NAO issued a letter circular, addressed to Directors Corporate Services on 23 September 1999.

Ministry of Finance. Some departments may have resorted to such actions to by-pass the lengthy and laborious writing-off or disposal procedures. In fact, new 'decentralised' procedures for the disposal of obsolete and unserviceable items have been recently established.

3.27 A number of unserviceable vehicles remain stocked at departments for cannibalisation purposes. Although such an approach is well intentioned, records relating to spare parts available and/or obtained through cannibalisation are incomplete.

3.28 Such a situation diminishes the safeguarding aspects of inventory control. Moreover, this procedure is not conducive to efficient store management since the location and availability of parts can be arrived at only through the experience of personnel.

National Audit Office Recommendations

3.29 The National Audit Office recommends that:

- Standardised accounting procedures need to be established to ensure the accurate recording of all expenses related to a particular vehicle. A properly maintained inventory system would provide management with on-line information to effectively exercise controls and promote accountability and efficiency. In addition departments assume full responsibility to adhere strictly to orthodox accounting practices.

- Consideration be given to the possibility of commissioning a study to evaluate departmental vehicle requirements. The opportunity exists that Government specifically evaluates the future usefulness of the trip logbook, originally conceived as one of the main instruments in the transport internal control framework. Experience suggests that unless systems are properly supported, they become useless and have to be replaced by others that are more effective and efficient. One way

would be to assess individual positions/jobs in terms of the need for continuous vehicle presence. Whenever a job is deemed to have a car permanently attached to it, a vehicle would be assigned and regular auditing would be conducted to ensure that the post continuous to require such support. Petrol allocation would be based on a quota dependent on the specific need of that position/job.

- Consideration be given to the encouragement of establishing transport co-operatives. Current Government policy regarding co-operatives can cater adequately for such an eventuality.

- Considerations be given to adopting a standard approach to update inventory records within all departments.

- Proper records be kept of parts available and stocked by departments through cannibalisation.

- The Licensing and Testing Department is to follow-up all unrenewed vehicle licences. Such action would ensure that the Department is made fully cognizant of vehicle movements and disposal.

3.30 The following proposals were made by the Office of the Prime Minister and the Ministry of Finance:

- A task force composed of representatives of the Management and Personnel Office, the Ministry of Finance and the Internal Audit Directorate of the Cabinet Office should be appointed and requested to carry out a review of all existing Public Service transport-related regulations, this with a view to proposing a new set of integrated transport regulations which reflect present day realities.

- The same task force should be required to explore with MITTS Ltd. the possibility of developing a

computerized fleet management system to be applied at a Departmental level across the Public Service. The availability of such a system would address a number of recommendations proposed in this Report, namely;

(a) the need to establish standardized accounting procedures,

(b) the need to maintain a proper fleet inventory that would provide management with on-line information to effectively exercise controls and promote efficiency and accountability.

- The maintenance of proper vehicle history sheets and of preventive maintenance programmes.

- Separate feasibility studies regarding the possibility of establishing a co-operative system in the major Government Garages be carried out by the Management and Efficiency Unit and the Board of Co-operatives.

3.31 In addition the following recommendation emanated from PAC sitting No. 48 held on 5 June 2000:

- Consideration should be given to the electronic tracking of vehicles. The potential benefits emanating from electronic tracking include the facilitating of fleet management, enhancing internal controls and fleet efficiency.

Part 4 - Fully Expensed Cars

4.1 The employment of Public Officers in the grades of Permanent Secretary, Director General and Director is regulated by the Performance Contract between these employees and Government. The "Other Benefits" *clause in these Contracts stipulates that Officer shall have "provision of a fully expensed car subject to approved consumption ceilings."* According to the data received through the Questionnaire, 123 cars were being utilised as "Fully Expensed Vehicles" as at year-end 1997.

4.2 The procurement of these vehicles is regulated through Ministry of Finance directives. To-date, the 1994 established limits for these vehicles have been revised in 1995, 1996 and in 1998. Procurement ceilings are intended to reflect the status of officials and their respective office. Furthermore, Ministry of Finance directives also stipulate that fully expensed vehicles can be replaced after a period of five to seven years. These vehicles are to be resold within two months from the date when they are replaced.

4.3 Fuel quotas of 150 litres per month and 175 litres per month in respect of fully expensed vehicles, allocated to Directors and Permanent Secretaries respectively, have been established in 1994.

4.4 The Ministry of Finance offers officials on contract basis, who during their tenure of office were entitled to a fully expensed vehicle, the option of purchasing that vehicle upon their retirement. In such cases, the selling price of the vehicle is based on an annual depreciation of 25 per cent (through the reducing balance method) prior to the imposition of customs duty and registration tax at the time of purchase by the public officer. The maximum purchase cost of the vehicle *"shall include the cost of any accessories whether standard or optional. No additional*

accessories may be added after purchase. Accounting officers will be responsible for ensuring that these provisions are strictly adhered to."

4.5 Guidelines regulating the sale of fully expensed vehicles to retiring officials have been adjusted to take into consideration new budgetary measures related to registration tax in 1997 and in order to reflect the replacement of VAT with Customs and Excise Tax and vice-versa. All requests for the purchase of such vehicles are referred to the Permanent Secretary at the Ministry of Finance for his approval.

4.6 An officer entitled to a fully expensed car can utilise the vehicle for official and private needs[7]. However the policy relating to the term 'personal use' was not clearly defined.

4.7 In its reply to NAO's request for a definition of what, in accordance with Government policy, constitutes private and official use, Finance stressed that such a car was afforded for one's exclusive use. The Ministry of Finance also indicated the procedure to be adopted in the case where liability has to be proven.

4.8 Furthermore Finance stated that if the vehicle is out of service the Officer should not be deprived of his right to a fully expensed car. However, Officers are *"to co-ordinate their requirements in such a way as to ensure the utmost economy without impairing the efficiency of the department"* (Estacode 8.2.3.5).

4.9 Other categories of officials utilising vehicles on fully expensed basis are officers *'on call'* within various ministries and departments, personnel working after office hours or personnel deemed to be performing duties which were traditionally performed by officers in the grade of director. Generally

[7] Letter from Permanent Secretary Ministry of Finance to Permanent Secretary Office of the Prime Minister, dated 5th April 1994 (MF 256/89).

Permanent Secretaries approve the use of these vehicles on such basis.

National Audit Office recommendation

4.10 The National Audit Office recommends that:

- Control mechanisms already in place regarding the use of Fully Expensed Vehicles are to be consolidated and enforced.

Part 5 - Vehicle Condition

Introduction

5.1 This Chapter summarises the findings obtained through the physical and mechanical inspection of the vehicles selected through the random sample used for verification purposes. These inspections were commissioned by the National Audit Office and performed by Licensing and Testing Department approved Vehicle Road Worthiness Testing Centres. Test specifications and limits were based on guidelines as established and used by the British Ministry of Transport and throughout the European Union, eventually to be adopted as the full VRT in Malta.

5.2 For the purpose of this exercise tests were carried out on 71 Government-owned vehicles. At 95 per cent confidence this sample size carries a sampling error of 10 per cent.

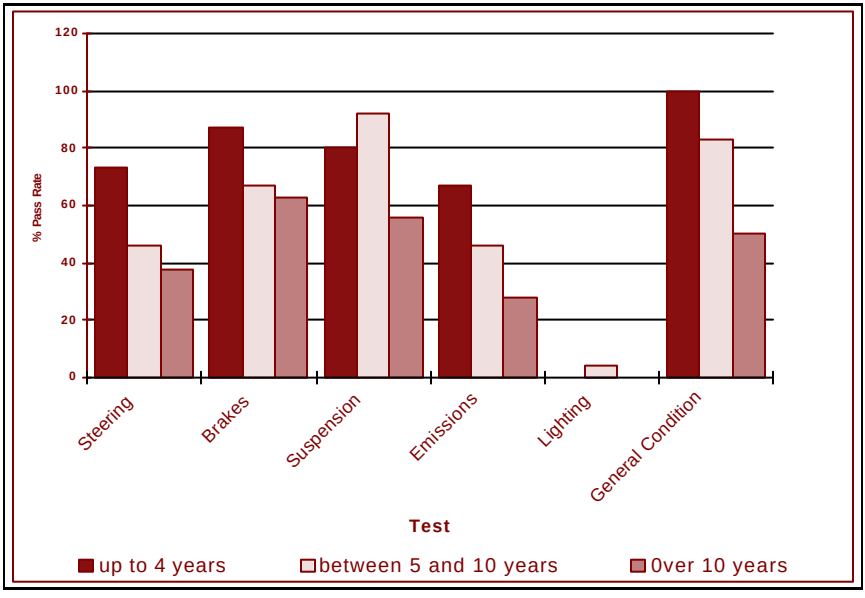
General Utility vehicles

5.3 The responsibility of the proper upkeep and maintenance of vehicles vests with the user department. OPM Circulars have on various occasions emphasised the importance of the proper maintaining of such vehicles. Departments that own a large fleet are equipped with garages and perform in-house servicing and repairs. According to data submitted through the replies from the Ministries, it is estimated that the maintenance and average repair cost per vehicle in 1997 amounted to LM236 (See Table 2.5). This amount, however, does not include overheads in respect of personnel deployed in maintenance units, machinery, rent, etc.

5.4 Tests revealed that most Government-owned vehicles are not in a good state of repair. In fact most vehicles fell significantly below the required standards. Test results reveal that other variables such as make, engine capacity and model had no

significant bearing on results. Fig 5.1 graphically represents the main areas in which pass rates were registered. In most areas new cars do not fare very badly, but cars over 5 years of age present serious roadworthiness issues.

Fig 5.1: **Condition of Government-owned Vehicles**



5.5 A comparison of failure rates against the age of the randomly tested vehicles shows that cars under five years have only a 39 per cent failure rate as against a failure rate of 64 per cent for vehicles which are 10 years or older. In some cases parts are not readily available on the open market due to the age of the vehicle and its type.

5.6 Failure rates in emissions tests were higher in the case of general use vehicles than in the case of the fully expensed category, which were all up to the required standard. This trend was also observed in steering related problems: 70 per cent of the fully expensed vehicles complied with the required criteria whereas only 38 per cent of the general use vehicles were of the

required standard. In respect of braking system, fully expensed and general use vehicles recorded 89 per cent and 69 per cent pass rates respectively.

5.7 The data shows that older vehicles are at a higher risk of gross emissions levels. Old and much used vehicles were more likely to be less road-worthy: 72 per cent of 10-year-old cars effectively failed the emission tests. The results of such tests can also provide an indication regarding the engine condition and maintenance required by these vehicles.

5.8 Maintenance is carried out through Government-owned or private garages. OPM circular 59/71 states that "all repairs are to be carried out at the Public Works Department Government Garage". However, it was observed that most departments prefer to utilise private garages rather than service vehicles at the Manufacturing and Servicing Department Garage. This implies that officials are more satisfied with works being carried out by private garages that may be more equipped to carry out specialised repairs and maintenance.

5.9 Despite the insistence made through OPM circulars on the importance of proper maintenance for Government vehicles, the 53 per cent failure rate (166 passes out of a total of 355 tests conducted) in the various tests conducted by this Office on the 71 vehicles clearly shows that maintenance and repairs performed on these vehicles is either of a poor quality or are clearly inadequate.

5.10 As part of this study, detailed estimates were made of the actual cost required to bring Government–owned vehicles not exceeding 3.5 tonnes up to the required standard. These estimates were made on the basis of the results obtained from physical and mechanical inspections of the sample taken as indicated in para. 5.2. It is estimated that, on average, an expenditure of Lm326 per vehicle is required.

5.11 Details of the findings per category are presented in Table 5.1 overleaf. The repair estimate cost includes spare parts

required, labour element at a commercial rate that covers any overheads that might be encountered by a private garage. This implies that, on the basis of the sample taken, the total cost to be incurred by Government in order to bring the fleet of vehicles covered by this study to the required standard is estimated to be around Lm 232,000. This figure takes care of the fact that there are proportionately more cars over 10 years and over than cars under 4 years.

5.12 The cost to bring vehicles exceeding 3.5 tonnes to the required standard could not be estimated because parts required are not readily available on the open market in view of the age of these vehicles. Furthermore, trucks donated by foreign military corps which are currently used for both civilian and military purposes have different spare part specifications and quotations for the required parts could not be obtained from the local market.

Table 5.1: **Repair Estimate and Vehicle Age (less than 3.5 tonnes)**

Vehicle Age (in years)	Repair Estimate Cost per Vehicle Lm	No. of Vehicles Sampled
0 – 4	146	15
5 – 10	250	24
10 and over	469	32

5.13 On further analysis, it transpired that 15 per cent of the fleet is estimated to be practically beyond economical repair and thus should not be maintained in the fleet. The condition of such vehicles requires a total rebuild both internally and externally. Availability of spare parts on the open market is also a restricting factor. It has been observed that administration resources are lost in procuring matching parts for older vehicles.

5.14 Moreover, since these vehicles are well over 10 years and trends show that testing failure rate is higher in such vehicles,

the economic return on funds disbursed in respect of such repairs is deemed to be low.

5.15 The situation described above has developed over a number of years. Moreover, regulations regarding the maintenance of vehicles have not been adequately enforced. This state of affairs is mainly attributable to the following:

a) *Bad Records:* an adequate history sheet for most vehicles is not generally maintained. Although 72 per cent of departments claimed that a vehicle history sheet is maintained, the NAO established that generally such records are not kept in an effective manner. During the on-site record inspection instances were noted where the history sheets were not updated. In other cases, the history sheet was not maintained in an effective format. In 28 per cent of the departments surveyed a history sheet was not kept at all.

b) *Inadequate Fleet Management:* The lack of adequate vehicle history records translate into inadequate management information. Such a state of affairs, besides its budgetary considerations, has indirectly contributed to the lack of a vehicle retention policy in respect of General Utility vehicles. Moreover a fundamental internal control related to vehicle maintenance has been rendered inoperative.

c) *Conditions of Use:* It was observed that General Purpose Government-owned vehicles are relatively utilised in a more strenuous manner than impressed or hired vehicles. Although mileage covered daily by all forms of vehicles is more or less the same, the more demanding trips are generally performed through Government-owned Vehicles.

d) *Poor Maintenance:* During the mechanical and physical inspections of vehicles it clearly emerged that

maintenance works performed on some of the vehicles was considered to be of inadequate standard. This applies both to vehicles serviced at Government-owned and at private garages. In some cases it was observed that ancillary items related to newly replaced spare parts were totally omitted.

This type of maintenance inevitably leads to even more costly breakdowns. Such a situation results through inadequate quality control checks by departments of maintenance performed, undue haste in performing maintenance to ensure that the vehicles return on the road as soon as possible. In the case of older cars the age and condition of the vehicle does not motivate all concerned to perform quality maintenance works. A few occasions were noted where such practices also impinged on the safety considerations of the vehicle.

e) *Drivers:* A driver does not always drive the same vehicle. Although this situation amounts to a more than expectable fleet management practice it does have its drawbacks since individual accountability is forfeited in favour of flexibility. The team concept and thus collective accountability, however, are generally not practised.

f) *Controls in respect of Cleanliness and Roadworthiness:* No mechanism is in place to ensure that at day's end, the driver or official leaves the vehicle in an acceptable condition of cleanliness and maintenance.

Fully Expensed Cars

5.16 In contrast to general utility vehicles, fully expensed cars are much better maintained. Fully expensed vehicles were generally found to be in a better state of condition than vehicles deployed as utility vehicles. This was to be expected since the former type of vehicles are exposed to less strenuous use. Moreover, fully expensed vehicles are, on average, 5 years old.

National Audit Office recommendations

5.17 The National Audit Office recommends that:

- A policy be established to ensure regular vehicle maintenance. Such an approach needs, however to be backed by instilling a culture that preventative maintenance saves money and enhances efficiency. Furthermore, it would ensure that the vehicle is in an adequate condition as stipulated by the Vehicle Roadworthiness Test.

- An exercise be undertaken to scrap vehicles that are not roadworthy. It would enable a better reallocation of resources and funds directed to vehicles of a lower age bracket.

- Proper Vehicle History Sheets are to be kept. History sheets will provide accurate management information and enhances internal controls.

Part 6 - Hired & Leased Vehicles

6.1 This chapter addresses Government practice in respect of hiring and leasing. Both practices are used to augment Government's fleet.

Hiring

6.2 Government expenditure in 1997 in respect of hired self-drive vehicles totalled Lm504,792. According to information received in the questionnaire, this represents a total of 211 cars hired daily. The daily hiring rate of vehicles has ranged from Lm2.37 for a small car to Lm22 for a lift van.

6.3 Cars and light commercial vehicles are usually hired by departments either through calls for tenders or quotations in accordance with the Public Service Procurement Regulations, 1996.

6.4 In accordance with the above provisions, Government Departments are obliged to procure services estimated to cost over Lm20,000 through a call for tenders issued, processed and awarded by the Department of Contracts. This approach is conducive to ensure transparency and control in tender processing and award. Moreover economies of scale advantages and the market competitiveness associated with calls for tenders are generally reflected in procurement of goods and/or services.

6.5 Departments were generally satisfied with the level of service offered by suppliers. Moreover, the assignment revealed that overall the vehicles supplied to departments complied with specifications spelt out in the contracts.

6.6 During 1998, nine contracts amounting Lm253,457 for self-drive cars issued by the Department of Contracts were *in vigore*.

6.7 The above figures indicate that only 54 per cent of Government's expenditure in respect of Hired Vehicles was regulated by a centrally issued contract during 1998. The above situation implies that a number of opportunities for further Department of Contracts awards and thus economies of scale advantages were not taken advantage of either by individual departments or collectively through a period contract.

6.8 A number of reasons contribute to the situation discussed above:

a) Department of Contracts opined that although theoretically and legally it is possible to hire vehicles through one central period contract, difficulties might arise as to whether any one supplier would be in a position to supply Government with all its requirements.

b) a central period contract would most probably entail that a number of suppliers would have to submit a joint tender. Such a scenario has disadvantages since it might possibly stifle tender competitiveness.

c) difficulties would arise regarding the fair and equal apportionment between suppliers of Government's demand for hired vehicles if a joint tender award - which is probably the most realistic outcome of the tender adjudication process given the issues raised in paragraph (a) - is decided upon by the General Contracts Committee.

d) special conditions, requested by departments to cater for their individual needs, would have to be foregone in favour of centrally decided provisions. It is however to be pointed out that the Department of Contracts lamented that it could not see any benefits for some of the special conditions raised by departments and generally advised against them. Moreover, it is felt that special conditions are not conducive to a standardised approach to hiring vehicles.

e) it has been claimed that if a central period contract, valid for say three years, were to be issued the possibilities would be that tenderers load their asking price to cater for potential unforeseen long-term economic developments. Such a scenario is perceived not to be in Government's best interest, especially during the initial period of the Contract.

6.9 Despite the above difficulties, the Department of Contracts stated that the framework to cater for a central period contract for the hiring of vehicles could be established and operated by Government.

Departmental Tenders/Quotations

6.10 In instances where the costs incurred by individual departments amount to less than Lm20,000 during a financial year, departments are obliged to procure their services through a Departmental Call for tenders or seek quotations from at least three suppliers.

6.11 Generally departments complied with the above provisions. There are instances where *'extra'* services were procured after the contract was awarded. This practice increases the annual costs incurred for the hiring of vehicles and thus procurements limits established by the General Procurement regulations would have been exceeded. Defaulting departments claimed that this state of affairs occurred as a result of unforeseen circumstances.

Utilisation

6.12 The NAO Questionnaire revealed that hired vehicles are utilised in various ways. The most common use of hired vehicles tends to be allocated to an individual officer whose duty or status is perceived to require or demand a vehicle for official personal use (38 per cent). This category tends to include personnel whose

duties mainly consist of fieldwork and/or personnel posted in ministries. It is pertinent to point out that recently (1998) the allocation of a hired vehicle to personnel in the latter category was regulated through a contract between the Officer and Government. Self-drive hired vehicles also tend to be utilised as a general-purpose vehicle or occasionally as substitute vehicles for fully expensed cars when the latter are undergoing maintenance or repairs.

6.13 Similarly to other forms of transport, the utilisation of self-drive hired vehicles is regulated by the provisions of Estacode and other directives issued periodically by the Ministry of Finance and the Office of the Prime Minister. These directives generally emphasise control and economy in vehicle utilisation.

6.14 However, it was observed that the adherence to Estacode provisions relating to trip logbooks is only at 25 per cent (*Source:* validation Questionnaire carried out by NAO). This figure is also considered to be low when compared to other forms of transport (Figure 3.1 refers). Hired-vehicles by their very nature are considered as 'attractive' and generally, contrary to Government-owned vehicles, there are no physical indications that the vehicle is hired by a Government Department. Thus unauthorised use of these vehicles is facilitated.

6.15 Furthermore, vehicles allocated for personal and official use, (38 per cent) of hired vehicles are usually taken home by officers after official hours and on weekends. Although NAO has no statistical evidence, it appears that the unauthorised use of these vehicles after official hours could have reached a high proportion. This remark is based on Parliamentary Questions, media claims and observations noted by the National Audit Office throughout the course of this Assignment.

6.16 Some of the NAO observations included:

a) official hired vehicles driven by spouses or other relatives of officer;

b) officials observed utilising vehicles for non-official purposes;

c) vehicles kept by officials when they are on vacation or sick leave.

Hired Vehicle Utilisation Rate

6.17 As already stated in the preceding paragraphs, information regarding the utilisation of this form of transportation is seriously lacking. However from the information collected from the sample used for verification purposes, it could be seen that Hired Vehicles perform on average 58 km daily, which is not too dissimilar from that obtained for Government-owned vehicles already discussed in Part 3 of this Report. As such, the comments on the relatively low utilisation rate given in that section apply to hired cars.

Leased Vehicles

6.18 Leasing entails that a new vehicle is rented to the client for an agreed period of time and price.

6.19 None of the Questionnaires returned to the NAO revealed that any department was leasing vehicles at the time. Since then however, a precedent has been set through the leasing of a car.

6.20 For the purpose of this exercise, independent leasing quotations were sought from six firms for a range of cars to enable it to evaluate the economic advantages or otherwise of this option. Four firms submitted their offers. A comparative analysis between purchasing, hiring and leasing is presented in Appendix IV.

6.21 Leasing offers the same basic advantages as renting cars, that is, the Public Service would not be burdened with the procurement and maintenance costs for such vehicles. Vehicle

replacement, if the need arises, is also guaranteed. Leasing practice at times provides the lessor with a buy back-option at the end of the lease. In the received quotations referred to above, whenever this option was on offer, the buy back value of the quotations received, when submitted, was generally around 33 per cent of original vehicle value. In addition a leasing contract always commences with the delivery of a brand new car.

6.22 Generally the price range quoted for leasing vehicles have tended to be marginally higher than that of hiring. However it needs to be pointed out that in all cases leasing involves brand new vehicles.

6.23 From the limited market testing performed by the NAO, it is evident that the Leasing option provides more flexibility and a higher quality of vehicle; naturally this is reflected in the price. In this context, the price range quoted to the NAO constituted in itself value for money. However, it is felt that the quality of service provided to Government through the hiring of self-drive vehicles is adequate - the main difference being that a brand new car is provided through the leasing option. Nevertheless it is felt that in view of the marginal difference in prices, the Leasing option cannot be overlooked since the cost of other means of transport will increase annually by the rate of inflation.

National Audit Office recommendations

6.24 The National Audit Office recommends:

- Considerations should be given to the study of alternative options open to Government regarding the issues of transport (Appendix IV refers). This Report indicates a financial advantage in favour of purchasing. This advantage, however has to be reviewed together with cash flow considerations and other prevailing departmental circumstances.

- Guidelines should be issued to help departments in evaluating options available to them in acquiring vehicles for official use.

Part 7 - Impressed Cars

7.1 This Part seeks to report briefly on the impressed system as it was operating prior its 'winding up' in 2000.

7.2 The practice of impressing vehicles for use by Government Departments dates back to the last War when, in view of the emergency, the authorities had the right to 'impress' any vehicle for use by them. In 1995 it was decided that no new vehicles were to be impressed. As at 31st March 1998, Government was utilising the services of 510 owner driven vehicles, namely, cars, vans and trucks for the provision of general transport within departments. 466 former impressed drivers have been employed in the Public Service in the grade of 'Labourer (ex-Impressed Driver)' on the minimum of salary scale 20 (Lm2,635 x Lm54 – Lm3013 per annum) during 2000.

Table 7.1: **Impressed Vehicles with Government Departments (1998)**

Type	Malta	Gozo	Total
Cars	163	25	188
Vans	24	3	27
Mini Truck	28	9	37
Truck	230	28	258
Total	445	65	**510**

7.3 Historically, the Department of Labour has assumed central responsibility for the Impressed System since the eligibility of impressed vehicles was linked to vehicle owners who were registering as unemployed at this Department. The department also ensured that owners regularly paid their Social Security contributions. Although retaining a central function, the role of the Department of Labour has diminished since user departments were instructed to assume the responsibility for the renewal of the three monthly hire.

7.4 Impressed vehicles were owner driven and hired by Government Departments on a three monthly basis. Owners were considered as self-employed persons and were not eligible to participate in the Impressed system on attaining the age of 61 years. They were paid only in respect of the days they actually work and have no vacation, sickness leave or other benefits. Social Security contributions are payable at the rates applicable to self-employed persons.

7.5 During 2000, the daily cost of an impressed vehicle ranged from Lm13.418 daily for a four-seater vehicle to Lm15.637 for a three tonne truck. Cars and vans were usually supplied with fuel at the expense of the hiring department. On the other hand, truck rates were inclusive of fuel. Rates were reviewed through the issue of Circulars by the Ministry responsible for Finance. Table 7.2 gives the last three revisions.

7.6 Circulars MEAF 10/97 and MF 2/99 established the following hire rates payable in respect of impressed Cars during 1997, 1999 and 2000 respectively:

Table 7.2: **Impressed Vehicles Rates**

Category	Capacity	1997 (Lm)	1999 (Lm)	2000 (Lm)
Cars	4 Seater	11.90	13.23,2	13.41,8
	5/6 Seater and upwards	11.96	13.29,2	13.47,8
Vans	-	11.90	13.23,2	13.41,8
Trucks	3 Tons	13.75,3	15.08,5	15.48,1
	Over 3 tons	13.90,9	15.24,1	15.63,7

7.7 In turn, Table 7.3 gives age distribution of Persons at present employed by Government with their Impressed Cars.

Table 7.3: **Age of Drivers (as at 31/3/98)**

Age	Number	%
Over 55 years (< 31/12/44)	112	21.96
50 – 55 years (1/1/45 – 31/12/49)	87	17.06
45 – 50 years (1/1/50 – 31/12/54)	69	13.53
40 – 45 years (1/1/55 – 31/12/59)	89	17.45
Less than 40 years (> 1/1/60)	145	28.43
Data not available	8	1.57
Total	**510**	100.00

7.8 During the compilation process of this Report, Government declared its policy to abolish the Impressed System.[8] NAO was consulted by the Management and Efficiency Unit within the Office of the Prime Minister. A draft of this Part of this Report was made available together with all information relating to the impressed system.

7.9 Table 7.4 indicates the number of former impressed drivers who opted to accept permanent employment with Government. The Table also indicates whether the newly engaged staff opted to hire their vehicle to Government:

[8] During March 2000 Government declared its policy to abolish the Impressed System.

Table 7.4 – **Former Impressed Drivers employed permanently by Government.**

Departments/Entity	Will Hire Vehicle	Will not Hire Vehicle	No of Persons employed as Labourers (ex-Impressed Drivers)	Trucks	Vans	Cars
Health	18	2	20	5	2	13
Ministry for Gozo	47	11	58	34	4	20
Ministry of Agriculture and Fisheries	41	0	41	25	4	12
Home Affairs	5	0	5		1	4
Economic Services	3	0	3			3
Transport & Commnuication	1	0	1			1
Tourism	23	3	26	22		4
Environment	243	8	251	163	72	16
Education	30	1	31	16	3	12
Social Policy	22	0	22	3	1	18
Foreign Affairs	2	1	3			3
Justice & Local Government	1	0	1			1
OPM	4	0	4			4
Total for Government Departments	***440***	***26***	***466***	***268***	***87***	***111***

Part 8 - Capital Expenditure Analysis

8.1 A major cost to Government related to its fleet maintenance is the existence of one big Government repair centre at Kirkop and a number of additional departmental service units. Departmental fleets are theoretically to be serviced in-house, through garages housed at the Manufacturing and Servicing Department of the Works Division pertaining to the Ministry of the Environment, the Department of Health, the Ministry of Agriculture, the Police Department, the Armed Forces of Malta and the Education Division. Although other Government garages as listed above exist, OPM Circular 59/71 states that the Manufacturing and Servicing Department of the Works Division is intended to provide a repairs and maintenance service for all Government-owned vehicles.

8.2 Parallel to this, there is the Department for Projects and Development within the Ministry for Gozo that provides such services through the Manufacturing and Services Branch and the Agriculture Section pertaining to this Department.

8.3 For the purpose of this Assignment NAO sought to collate data relating to the larger maintenance sections, namely those mentioned in the first paragraph of this Section. Such an approach was adopted to enable the establishment of overheads associated with vehicle maintenance. The evaluation of the effectiveness of these garages was not within the scope of this exercise. However, important individual issues related to the performance of these garages arose during the course of this assignment and these will be presented below.

Garages Fixed Costs

8.4 Government Garages listed in Table 8.1 and the Gozo Manufacturing and Services Garage are responsible to service

most vehicles within their fleet (including Heavy Plant). Thus the area allocated for such garages is generally quite significant. Rent for these garages is payable to the Government Property Division. (However the rental costs in instances where the garage building was housed within the same area of other departmental units was never determined). These Garages employ a significant number of personnel in their maintenance units. Table 8.1 summarises fixed costs related to the maintenance of Government vehicles.

Table 8.1: **Number of Vehicles of Departments with own Garages: Fixed Costs (excluding Gozo)**

Department	No. of Vehicles	Personnel	Cost (Lm)	Rent Element (Lm)
Police	238	28	98,420	250
Health	63	9	31,635	1050
Agriculture	41	13	45,695	803
Education	21	14	49,210	Free
Works (light)	143	19	66,785	968
Works (Heavy)	34	23	80,845	968
Armed Forces of Malta	159	55	193,325	929
Total:	**699**	**161**	**565915**	**4968**

Note: (a) These six hundred and ninety nine vehicles account for 69% of Government-owned and Fully Expensed vehicles;
(b) The cost of Personnel assumed to be a tradesman as at 1998 (Lm3515 p.a.).

8.5 It is to be noted that the Rent Element is very much below market prices for the areas covered by these facilities. Commercial use of these premises, some of which are located in prime areas, would yield a much higher rent element than that indicated in Table 8.1.

8.6 Given the above costs, on average each vehicle is costing the public purse as much as Lm810 per annum irrespective of whether these vehicles are serviced in these units or not.

Kirkop Garage

8.7 The Government's central maintenance unit, housed at the Manufacturing and Servicing Department of the Works Division, was intended to provide maintenance services (such as mechanical, electrical, vulcanising and body work) to all Government vehicles. In fact, OPM circular 59/71 stipulates that the Director of Public Works has to endorse any purchases of spare parts that are not available at MSD and certifies any maintenance works performed outside the Garage. The centralisation of maintenance in this context was not only thought to maximise economies of scale advantages but also to provide 'centralised' internal control mechanisms.

8.8 The NAO Questionnaire has however revealed that, apart from the Works Division itself, only a handful of other departments are making use of the Government Garage facilities at Kirkop. The departments declared that most of their maintenance and repair work on their fleet was outsourced to the private sector.

8.9 Information submitted to NAO by the Manufacturing and Servicing Department further illustrates an under utilisation of this in-house garage. During the period between 1997-1999 jobs performed amounted to 5,778 in respect of vehicles pertaining to MSD and 288 jobs in respect of vehicles under the responsibility of other departments.

8.10 This study has noted that the centralised controls that were supposed to be provided through a centralised system of maintenance are generally inoperative. For instance, although the job cards are drawn up when maintenance works are performed, the Garage does not even maintain an up to date History Sheet of its own vehicles. Furthermore the provisions of Circular 59/71 are viewed as outdated since they would stifle user department efficiency and renders the role of the Kirkop Workshop as a certifying unit.

Fleet Replacement Costs

8.11 It is to be pointed out that it is practically impossible to determine the exact amount disbursed by Government in fleet replacement since data kept is not totally reliable.

8.12 Such disbursements can be considered to be of a capital nature because these are used to purchase perishable capital goods. They impact substantially on the cash flow of the respective ministries and departments and need to be carefully considered when the various options available to Government on how to secure its transport needs is evaluated in the next chapter.

National Audit Office Opinion and Recommendation

8.13 The advantages of in-house maintenance has to be evaluated against fixed costs incurred by Government to operate these in-house maintenance Units. The main disadvantage of the provision of in-house maintenance relates to the fact that economies of scale advantages are not being reaped.

8.14 The cost effectiveness of in-house maintenance is not only to be assessed on actual cost per vehicle basis, but should also take into consideration the opportunity cost arising from retaining in-house maintenance versus employing these resources elsewhere.

Part 9 - Economic Viability

Introduction

9.1 This chapter will address the issues of economic viability of the current Government practices. The data analysed in preceding chapters will be used to assess whether these practices are reaping satisfactory results, and whether alternatives exist.

9.2 In order to meet the objectives set for this chapter, the following aspects will be analysed in turn:

- cost effectiveness of retaining the current fleet given current conditions;
- cost effectiveness of current repair facilities;
- alternative options for the supply of Government's transport requirements.

Maintenance Cost-Effectiveness

9.3 The NAO carried out an evaluation exercise to assess the physical condition of Government-owned vehicles. This exercise was based on a comparison between the repair estimate cost and the current market value of the tested vehicles. Apart from the mechanical aspects of the vehicles, internal general appearance and bodywork were also taken into consideration.

9.4 For the purpose of this exercise, the criteria was established that retention in the fleet will be based on repair estimates that do not exceed the market value of the vehicle. This criteria was established with a view of the relatively low book-

value of vehicles and the high 'utility' value departments associate with their departmental vehicles.

9.5 Moreover, vehicles over 10 years old are expected to have a higher than average failure rate in roadworthiness tests. As such, the economic return on funds disbursed in respect of such repairs is questionable. Part 5 of this Report refers.

9.6 Government vehicles deployed in departments/ministries for general use are meant to provide their users with an efficient, safe and cost effective means of transport for employees or materials. The current state of the fleet leaves much to be desired in various aspects.

9.7 This Assignment has indicated factors contributing towards vehicle condition. A regular/routine maintenance policy is not being adhered to. Most departments do not even have such a policy.

9.8 Furthermore, the comments in this Section indicate that in many cases, vehicle maintenance is not resorted to routinely as a preventative measure but is performed in an untimely manner and viewed as an unnecessary cost.

9.9 The fact that a vehicle retention policy has not been extended to encompass General Purpose Vehicles has resulted in the ageing of the fleet. The retention of vehicles that are long past their optimum performance constitutes an ineffective and costly practice. Furthermore, it is estimated that 15 per cent of the current fleet is beyond economical repair.

Cost Effectiveness of Current Repair Facilities

9.10 On the basis of the cost analysis given in the preceding chapter, it is clear that Government at present is engaged in a very expensive operation to maintain its fleet of cars at Lm810 per annum each (see para. 8.6).

9.11 The fact that many cars are not actually repaired at these facilities points to the existence of problem areas. This was evident when visiting the facilities.

9.12 The facilities are not well equipped. In most of the facilities, activity appeared to be on the low side. Figures 1 to 8 are photographs taken during standard working times and illustrate:

- the extensive space allocated;
- the inexistence of specialised machinery required to cope with modern computer controlled vehicles;
- the poor maintenance state of the facilities themselves, some of which are actually used as scrapyards and parking areas for unusable vehicles.

9.13 NAO has been reliably informed that in commercial establishments of the same nature, on average every mechanic services three vehicles per day. Service jobs can vary in nature, but on average this is a reliable figure. For 240 working days per annum, each mechanic's output should total around 720 car services per annum.

9.14 This means that the 161 personnel (this figure does not represent the total number of personnel employed in the Government's repair facilities since personnel working on heavy machinery have been excluded from this computation) should be in a position to cater for 115,920 services per annum.

9.15 Government has only 1447 vehicles (1019 representing the categories covered by this study, plus another 81 representing 30 ambulances and 51 coaches) that at most would require 5,788 mechanical services per annum (at the rate of 4 per annum each).

9.16 The current situation calls for corrective measures. At present costs for Government to maintain its vehicles amount to Lm810 per annum per vehicle (see para. 8.6) plus either cost of spare parts incurred if maintenance is performed in-house or the real expense to repair the vehicle in a private facility. It has been established that maintenance and service costs should not exceed Lm300 per annum in the first 5 years of the vehicle's life cycle (Para 2.8). This amount is deemed to include the cost of a replacement vehicle for five working days per annum.

National Audit Office recommendations

9.17 The NAO accordingly recommends that:

a) a detailed study of the operational costs and set-up of Government's repair facilities is undertaken to decide on whether they should be retained or not;

b) if the study recommended under (a) indicates that the facilities be retained by Government, it should also recommend clear policies and control mechanisms to ensure that these facilities operate on commercial lines.

Alternative Options for the Supply of Government's Transport Requirements

9.18 The current capital expenditure incurred by Government to replace and maintain its fleet pose a heavy demand on the cash flow of the various ministries and departments who require transport services. At the same time, indicators emanating from this study have found evidence that there exists a low utility rate for each Government vehicle. To see what options exist, this study has made a tentative exercise to compare costs if different ways of procuring vehicles were to be adopted. For this purpose, a cost comparative analysis of alternatives of transport open to Government is given in

Appendix IV for three different types of cars with a price bracket of respectively Lm5,000, Lm7,000 and Lm12,000.

Table 9.1: **Comparative Cost Analysis of Alternative Options**

Cost of Vehicle (open market value) Lm	Purchasing (duty free) Lm	Hiring Lm	Leasing Lm
5,000	2,710	5,166	7,053
7,000	3,658	7,297	7,871
12,000	5,582	N/A	13,607

9.19 These three tables (Tables 11.8, 11.9 and 11.10) are based on the following assumptions:

a) Depreciation in the purchasing option is at zero since depreciation costs are accounted for in resale value of vehicle;

b) Registration fee for vehicles is considered as zero for the purchasing option since no real cost will be incurred by Government; and

c) Registration fee for hiring/leasing of vehicles is at 30 per cent of purchase cost for hired vehicles as per Legal Notice No. 18/1998. This is being taken into consideration on the basis that Government would have created a market for hiring/leasing and contractors would purchase vehicles specifically for such an aim.

9.20 In all the three cases it is evident that outright Purchase, which does not include current sunk costs, is the cheapest option, followed by hiring and leasing options respectively.

9.21 Nevertheless, hiring and leasing options cannot be categorically ruled out since they have to be considered together with prevailing departmental circumstances such as cash flow and actual requirements.

9.22 In view of this the formulation of a corporate strategy is recommended to enable Departments to procure relative means of transport in a cost efficient manner.

Part 10 - Conclusions and Recommendations

10.1 This chapter is intended to highlight the most significant findings, and should be read in the context of the whole Report and not on its own. This study has perhaps sought to address too wide an issue. Further deeper micro studies are necessary to redress the various aspect addressed in the preceding pages. Nevertheless, the study has highlighted relevant aspects of the way an important segment of Government activity is managed on a day to day basis and has documented that the current system requires a thorough overhaul.

10.2 In order to meet its transport needs, Government is using a multiplicity of methods, which, on close examination, show inefficiencies, lack of economies of scale and non compliance to existing regulations. This state of affairs is resulting in unnecessary costs being incurred by Government.

10.3 A number of observations indicate that the level of usage of this fleet is well below National Audit Office established benchmarks. It is difficult to justify the capital and recurrent outlays involved for it to be maintained at its present levels. The level of maintenance of the fleet, especially of the older components of it, is well below what is now being expected of private cars. To bring a good portion of the current fleet up to acceptable VRT levels, significant expenditure is required. It is very doubtful whether expenditure of this kind can be commercially justified to maintain the whole fleet even if it were to be proved that it is required in the numbers obtainable at present.

10.4 In-house garages and maintenance services operate below expectation that even the Government's own fleet is not totally maintained by them. This Report has provided proof of the

overstaffing in these garages, and the lack of availability of the adequate level of machinery and tools required in a modern workshop.

10.5 Parallel to its own fleet of cars used for general purpose transport, Government hires a considerable number of cars on a long term basis. This system has its advantages in that it saves on capital outlay and does not require a continuous structure to service it within Government's own domain. From an examination of comparative costs purchasing proved to be more economical. However, hiring, and the option of leasing, offer advantages and, if practiced correctly and at the right level, might offer Government substantial savings.

10.6 During 2000, the impressed car system was disbanded. The NAO viewed the former impressed system as unsustainable in terms of output levels and the working conditions associated with it.

Concluding comments

10.7 The total costs incurred by Government in respect of 'Transport' amounts to about Lm5 million lira annually. Such a cost is considered as substantial and totals circa 1 per cent of the recurrent expenditure budget. This review, which focused on only half of the 'Transport' budgetary allocation, has identified various issues which diminished value for money considerations and impinged on the effectiveness of 'Transport' related internal controls and consequently the generation of accurate management reporting.

10.8 The enforcement of Transport regulations is weak. In many instances the adherence to regulations, was viewed as an end in itself. The non-compliance to existing regulations has rendered most transport internal controls inoperative or ineffective. The end result of such a situation is that the NAO is not in a position to certify that all transport related costs are being

expended for their intended purpose. Moreover, Public Service Management is not in a position to ascertain, from existing records, the actual 'Transport' requirements. This Report has pointed at many of the aspects that call for immediate and radical attention. With a modicum of entrepreneurship and a reformed work ethic this important segment of the public service can become a true service, and not a drain on public funds.

National Audit Office Recommendations

10.9 Recommendations made in the various Sections of this Report are being reproduced hereunder:

i) Standardised accounting procedures need to be established to ensure the accurate recording of all expenses related to a particular vehicle. A properly maintained inventory system would provide management with on-line information to effectively exercise controls and promote accountability and efficiency. In addition departments assume full responsibility to adhere strictly to orthodox accounting practices. (Part 3)

ii) Consideration should be given to the possibility of commissioning a study to evaluate departmental vehicle requirements. The opportunity exists that Government specifically evaluates the future usefulness of the trip logbook, originally conceived as one of the main instruments in the transport internal control framework. Experience suggests that unless systems are properly supported, they become useless and have to be replaced by others that are more effective and efficient. One way would be to assess individual positions/jobs in terms of the need for continuous vehicle presence. Whenever a job is deemed to have a car permanently attached to it, a vehicle would be assigned and regular auditing would be conducted to ensure

that the post continuous to require such support. Petrol allocation would be based on a quota dependent on the specific need of that position/job. (Part 3)

iii) Consideration be given to the encouragement of establishing transport co-operatives. Current Government policy regarding co-operatives can cater adequately for such an eventuality. (Part 3)

iv) Considerations be given to adopting a standard approach to update vehicle inventory records within all departments. (Part 3)

v) Proper records be kept of parts available and stocked by departments through cannibalisation. (Part 3)

vi) The Licensing and Testing Department is to follow-up all unrenewed vehicle licences. Such action would ensure that the Department is made fully cognizant of vehicle movements and disposal. (Part 3)

vii) Control mechanisms already in place regarding the use of Fully Expensed Vehicles are to be consolidated and enforced. (Part 4)

viii) A policy should be established to ensure regular vehicle maintenance. Such an approach needs, however to be backed by instilling a culture that preventative maintenance saves money and enhances efficiency. Furthermore, such an approach would ensure that the vehicle is in an adequate condition as stipulated by the Vehicle Roadworthiness Test. (Part 5)

ix) An exercise should be undertaken to scrap vehicles that are not roadworthy. Such an exercise would enable a better reallocation of resources and funds directed to vehicles of a lower age bracket. (Part 5)

x) Proper Vehicle History Sheets are to be kept. History sheets will provide accurate management information and enhances internal controls. (Part 5)

xi) Considerations should be given to the study of alternative options open to Government regarding the issues of transport (Appendix IV refers). This Report indicates an economic advantage in favour of purchasing. This advantage, however has to be reviewed together with cash flow considerations and other prevailing departmental circumstances. (Part 6)

xii) Guidelines should be issued to help departments in evaluating options available to them in acquiring vehicles for official use. (Part 6)

xiii) The advantages of in-house maintenance has to be evaluated against fixed costs incurred by Government to operate these in-house maintenance Units. The main disadvantage of the provision of in-house maintenance relates to the fact that economies of scale advantages are not being reaped. (Part 8)

xiv) The cost effectiveness of in-house maintenance is not only to be assessed on actual cost per vehicle basis, but should also take into consideration the opportunity cost arising from retaining in-house maintenance versus employing these resources elsewhere. (Part 8)

xv) A detailed study of the operational costs and set-up of Government's repair facilities is undertaken to decide on whether they should be retained or not. (Part 9)

xvi) If the study recommended under (xv) indicates that the facilities be retained by Government, it should also recommend clear policies and control mechanisms to ensure that these facilities operate on commercial lines. (Part 9)

10.10 The following proposals which NAO supports were made by the Office of the Prime Minister and the Ministry of Finance:

a. A task force composed of representatives of the Management and Personnel Office, the Ministry of Finance and the Internal Audit Directorate of the Cabinet Office should be appointed and requested to carry out a review of all existing Public Service transport-related regulations, this with a view to proposing a new set of integrated transport regulations which reflect present day realities. (Part 3)

b. The same task force should be required to explore with MITTS Ltd. the possibility of developing a computerized fleet management to be applied at a Departmental level across the Public Service. The availability of such a system would address a number of recommendations proposed in this Report; namely:

   - the need to establish standardized accounting procedures,

   - the need to maintain a proper fleet inventory that would provide management with on-line information to effectively exercise controls and promote efficiency and accountability. (Part 3)

c. The maintenance of proper vehicle history sheets and of preventive maintenance programmes. (Part 3)

d. Separate feasibility studies regarding the possibility of establishing a co-operative system in the major Government Garages be carried out by the Management and Efficiency Unit and the Board of Co-operatives. (Part 3)

10.11 In addition the following recommendation emanated from PAC sitting No. 48 held on 5 June 2000:

Consideration should be given to the electronic tracking of vehicles. The potential benefits emanating from electronic tracking include the facilitating of fleet management, enhancing internal controls and fleet efficiency. (Part 3)

Part 11 - Appendices

Appendix I: Summary of Main Government Circulars regarding Transport

11.1 *Parts procurement:* Circular OPM/59/71 insists that 'in cases where the repair job involves the replacement of certain parts of the engine, the Director of Public Works will obtain the required part and the fitting will be carried out at the Government Garage'.

11.2 *Repair practice:* Circular OPM/59/71 insists that 'all repairs to Government-owned vehicles are to be carried out at the Public Works Department Government Garage and not at private garages or by private individuals' Maintenance is carried out through Government-owned or private garages.

Table 11.1: **Fuel Consumption Table**

Class of Vehicle by Engine Capacity	No of Miles per Gallon of Petrol
up to 1000 c.c.	30
1001- 1250	27
1251 -1500	23
1501 - 1750	21
1751 - 2000	20
2001 - 2250	18
2251 - 2500	17
2500 and over	16

11.3 *Fuel Consumption:* A number of circulars (MFCP 15/67, OPM/29/76 in particular) regulate fuel consumption. Insistence on the proper maintenance of logbook to control fuel consumption covers all cars, including official cars used by Ministers and Parliamentary Secretaries. Petrol consumption was

established for ‘impressed vehicles’ in 1967, and was generally applied to all other cars at the following rates, which have not been revised since 1967 irrespective of the advancements made in fuel consumption technology.

11.4 *Unserviceable Vehicles:* Unserviceable vehicles cannot be used as a source for spare parts when and as required. OPM/1052/57 clearly establishes that ‘the practice of removing parts from vehicles for which approval for writing-off has not been received is irregular and no vehicle should be in any way dismantled before approval for its writing off is actually given’.

11.5 *Liabilities:* Through MFC Circular 14/97 the Ministry of Finance and Commerce in 1997 delegated the authority vested in it through Section 8.2.3.9 of Estacode to the Permanent Secretary of each Ministry, thus making the Permanent Secretary responsible for the processing of any claims for damages received from third parties in respect of traffic accidents involving Government-owned vehicles.

11.6 *Fully Expensed Cars:* A policy regarding the life span and disposal of fully expensed cars has been established through Letter Circular issued by the Ministry of Finance dated 5th April 1994. However, this has not been extended to General-purpose vehicles and it is the current practice within ministries and departments that general use vehicles owned by Government, remain in service for as long as possible.

Appendix II: Breakdown of Government-Owned Vehicles by Category and Fuel Used

Table 11.2: **Current Number of Fully Expensed Cars**

Category (c.c)	Reg. Cat. (Age)	Total	
		No	%
Up to 1199 c.c.	Less than 5 years old	1	0.8
	6 to 10 years old	2	1.6
Up to 1499 c.c.	Not Known	4	3.3
	Less than 5 years old	11	8.9
	6 to 10 years old	6	4.9
Up to 1799 c.c.	Not Known	7	5.7
	Less than 5 years old	83	67.5
	6 to 10 years old	5	4.1
Over 1800 c.c.	Less than 5 years old	3	2.4
	6 to 10 years old	1	0.8
	Total	**123**	**100.0**

Table 11.3: **Government-owned Cars**

Category (c.c)	Reg. Cat. (Age)	Petrol				Diesel		Total	
		Leaded		Unleaded					
		No.	%	No.	%	No.	%	No.	%
Up to 1199 c.c.	Not Known	8	2.9	-	-	-	-	8	1.8
	Less than 5 years old	8	2.9	4	2.5	-	-	12	2.7
	6 to 10 years old	13	4.6	4	2.5	-	-	17	3.8
	over 10 years old	6	2.1	-	-	-	-	6	1.3
Up to 1499 c.c.	Not Known	8	2.9	13	8.1	-	-	21	4.7
	Less than 5 years old	57	20.4	20	12.4	1	14.3	78	17.4
	6 to 10 years old	51	18.2	15	9.3	-	-	66	14.7
	over 10 years old	10	3.6	-	-	-	-	10	2.2
Up to 1799 c.c.	Not Known	15	5.4	4	2.5	-	-	19	4.2
	Less than 5 years old	23	8.2	88	54.7	1	14.3	112	25.0
	6 to 10 years old	35	12.5	8	5.0	3	42.9	46	10.3
	over 10 years old	29	10.4	1	0.6	2	28.6	32	7.1
Over 1800 c.c.	Not Known	6	2.1	1	0.6	-	-	7	1.6
	Less than 5 years old	8	2.9	3	1.9	-	-	11	2.5
	6 to 10 years old	1	0.4	-	-	-	-	1	0.2
	over 10 years old	2	0.7	-	-	-	-	2	0.4
Total		**280**	**100.0**	**161**	**100.0**	**7**	**100.0**	**448**	**100.0**

Table 11.4: **Government-owned Vans**

Category (c.c)	Reg. Cat. (Age)	Petrol				Diesel		Total	
		Leaded		Unleaded					
		No.	%	No.	%	No.	%	No.	%
Up to 1199 c.c.	Less than 5 years old	1	1.3	3	30.0	-	-	4	2.1
	6 to 10 years old	5	6.5	-	-	-	-	5	2.6
	over 10 years old	1	1.3	-	-	-	-	1	0.5
Up to 1499 c.c.	Not Known	6	7.8	-	-	-	-	6	3.1
	Less than 5 years old	2	2.6	-	-	6	5.8	8	4.2
	6 to 10 years old	1	1.3	-	-	-	-	1	0.5
Up to 1799 c.c.	Not Known	1	1.3	-	-	3	2.9	4	2.1
	Less than 5 years old	2	2.6	1	10.0	2	1.9	5	2.6
	6 to 10 years old	17	22.1	4	40.0	4	3.8	25	13.1
	over 10 years old	6	7.8	-	-	2	1.9	8	4.2
Over 1800 c.c.	Not Known	20	26.0	2	20.0	4	3.8	26	13.6
	Less than 5 years old	4	5.2	-	-	45	43.3	49	25.7
	6 to 10 years old	2	2.6	-	-	30	28.8	32	16.8
	over 10 years old	9	11.7	-	-	8	7.7	17	8.9
Total		**77**	**100.0**	**10**	**100.0**	**104**	**100.0**	**191**	**100.0**

Table 11.5: **Government-owned Jeeps/Landrovers**

Category (c.c)	Reg. Cat. (Age)	Petrol				Diesel		Total	
		Leaded		Unleaded					
		No.	%	No.	%	No.	%	No.	%
Over 1800 c.c.	Not Known	8	8.0	-	-	-	-	8	7.0
	Less than 5 years old	13	13.0	-	-	10	71.4	23	20.2
	6 to 10 years old	48	48.0	-	-	-	-	48	42.1
	over 10 years old	31	31.0	-	-	4	28.6	35	30.7
Total		**100**	**100.0**	**-**	**-**	**14**	**100.0**	**114**	**100.0**

Table 11.6: **Government-owned Trucks**

Category (c.c)	Reg. Cat. (Age)	Petrol				Diesel		Total	
		Leaded		Unleaded					
		No.	%	No.	%	No.	%	No.	%
Up to 1799 c.c.	6 to 10 years old	28	53.8	-	-	-	-	28	19.6
	Less than 5 years old	-	-	-	-	-	-	-	-
Over 1800 c.c.	Not Known	5	9.6	-	-	11	12.1	16	11.2
	Less than 5 years old	5	9.6	-	-	33	36.3	38	26.6
	6 to 10 years old	-	-	-	-	14	15.4	14	9.8
	over 10 years old	14	26.9	-	-	33	36.3	47	32.9
Total		**52**	**100.0**	**-**	**-**	**91**	**100.0**	**143**	**100.0**

Appendix III: Transport by Ministry

Table 11.7: **Transport by Ministry**

Ministry	Type	Utility Vehicles	Impressed Vehicles	Hired Vehicles	Totals
Office of the President	Cars	17	0	0	**17**
	Vans	1	0	0	**1**
	Landrovers/Jeeps	0	0	0	**0**
	Trucks	0	0	0	**0**
	Totals	**18**	**0**	**0**	**18**
House of Representatives	Cars	5	0	0	**5**
	Vans	0	0	0	**0**
	Landrovers/Jeeps	0	0	0	**0**
	Trucks	0	0	0	**0**
	Totals	**5**	**0**	**0**	**5**
Office of the Prime Minister (Inc. AFM & Police)	Cars	240	4	6	**250**
	Vans	49	0	1	**50**
	Landrovers/Jeeps	81	0	0	**81**
	Trucks	86	0	0	**86**
	Totals	**456**	**4**	**7**	**467**
Foreign Affairs	Cars	19	14	13	**46**
	Vans	14	0	1	**15**
	Landrovers/Jeeps	0	0	0	**0**
	Trucks	0	3	0	**3**
	Totals	**33**	**17**	**14**	**64**
Education	Cars	25	16	23	**64**
	Vans	5	2	3	**10**
	Landrovers/Jeeps	0	0	0	**0**
	Trucks	1	19	1	**21**
	Totals	**31**	**37**	**27**	**95**
Finance	Cars	89	3	4	**96**
	Vans	11	0	1	**12**
	Landrovers/Jeeps	0	0	0	**0**
	Trucks	0	0	0	**0**
	Totals	**100**	**3**	**5**	**108**

Continued

Ministry	Type	Utility Vehicles	Impressed Vehicles	Hired Vehicles	Totals
Tourism	Cars	5	5	12	**22**
	Vans	0	0	0	**0**
	Landrovers/Jeeps	0	0	0	**0**
	Trucks	0	23	0	**23**
	Totals	**5**	**28**	**12**	**45**
Justice	Cars	13	0	5	**18**
	Vans	0	0	0	**0**
	Landrovers/Jeeps	0	0	0	**0**
	Trucks	0	0	0	**0**
	Totals	**13**	**0**	**5**	**18**
Economic Affairs	Cars	9	2	4	**15**
	Vans	1	0	0	**1**
	Landrovers/Jeeps	0	0	0	**0**
	Trucks	0	0	0	**0**
	Totals	**10**	**2**	**4**	**16**
Transport & Communications (inc. Civil Aviation)	Cars	12	1	4	**17**
	Vans	13	0	0	**13**
	Landrovers/Jeeps	0	0	0	**0**
	Trucks	9	0	0	**9**
	Totals	**34**	**1**	**4**	**39**
Public Works & Construction	Not known	0	0	69	**69**
	Cars	49	93	23	**165**
	Vans	62	13	0	**75**
	Landrovers/Jeeps	32	0	1	**33**
	Trucks	34	155	1	**190**
	Totals	**177**	**261**	**94**	**532**
Health	Cars	39	16	9	**64**
	Vans	22	4	3	**29**
	Landrovers/Jeeps	0	0	0	**0**
	Trucks	2	6	2	**10**
	Totals	**63**	**26**	**14**	**103**
Social Welfare	Cars	10	16	3	**29**
	Vans	1	0	1	**2**
	Landrovers/Jeeps	0	0	0	**0**
	Trucks	0	0	0	**0**
	Totals	**11**	**16**	**4**	**31**

continued

Ministry	Type	Utility Vehicles	Impressed Vehicles	Hired Vehicles	Totals
Housing	Cars	6	4	5	**15**
	Vans	0	1	0	**1**
	Landrovers/Jeeps	0	0	0	**0**
	Trucks	0	1	0	**1**
	Totals	**6**	**6**	**5**	**17**
Agriculture & Fisheries	Cars	23	17	8	**48**
	Vans	8	4	0	**12**
	Landrovers/Jeeps	0	0	0	**0**
	Trucks	10	30	0	**40**
	Totals	**41**	**51**	**8**	**100**
Gozo	Cars	10	23	7	**40**
	Vans	4	3	1	**8**
	Landrovers/Jeeps	1	0	0	**1**
	Trucks	1	32	0	**33**
	Totals	**16**	**58**	**8**	**82**
	Grand Totals	***1019***	***510***	***211***	***1740***

Appendix IV: Comparative Costs of Alternative Options

Table 11.8: **Comparative Costs: Vehicle Cost = Lm5000***

	Purchase		Hiring		Leasing	
Now:						
Duty Free Price	(1750)		(1279)		(1,641)	
Registration Tax + Duty Recouped			1500		1500	
Insurance	(100)					
Discount Factor	1		1		1	
		(1850)		221		(141)
Year 1:						
Duty Free Price			(1279)		(1641)	
Insurance / Accident	(103)					
Maintenance	(134)					
Replacement	(33)					
Discount Factor	0.943		0.943		0.943	
		(255)		(1206)		(1547)
Year 2:						
Duty Free Price			(1279)		(1641)	
Insurance / Accident	(106)					
Maintenance	(212)					
Replacement	(34)					
Discount Factor	0.89		0.89		0.89	
		(313)		(1138)		(1460)
Year 3:						
Duty Free Price			(1279)		(1641)	
Insurance / Accident	(109)					
Maintenance	(305)					
Replacement	(35)					
Discount Factor	0.84		0.84		0.84	
		(377)		(1074)		(1378)
Year 4:						
Duty Free Price			(1279)		(1641)	
Insurance / Accident	(112)					
Maintenance	(337)					
Replacement	(36)					
Discount Factor	0.792		0.792		0.792	
		(384)		(1013)		(1300)
Year 5:						
Duty Free Price			(1279)		(1641)	
Insurance / Accident	(116)					
Maintenance	(405)					
Replacement	(37)					
Discount Factor	0.747		0.747		0.747	
		(417)		(955)		(1226)
Sub Total		(3596)		(5166)		(7053)
Resale Value		886				
Total		(2710)		(5166)		(7053)

** Based on a study effected in 1999.* *Vide notes on page 93.*

Table 11.9: **Comparative Costs: Vehicle Cost = Lm7000***

	Purchase		Hiring		Leasing	
Now:						
Duty Free Price	(2450		(1803)		(1913)	
Registration Tax + Duty Recouped			2100		2100	
Insurance	(140)					
Discount Factor	1		1		1	
		(2590)		297		187
Year 1:						
Duty Free Price			(1803)		(1913)	
Insurance / Accident	(144)					
Maintenance	(170)					
Replacement	(41)					
Discount Factor	0.943		0.943		0.943	
		(335)		(1700)		(1804)
Year 2:						
Duty Free Price			(1803)		(2,252)	
Insurance / Accident	(149)					
Maintenance	(297)					
Replacement	(42)					
Discount Factor	0.89		0.89		0.89	
		(434)		(1605)		(1703)
Year 3:						
Duty Free Price			(1803)		(1913)	
Insurance / Accident	(153)					
Maintenance	(393)					
Replacement	(43)					
Discount Factor	0.84		0.84		0.84	
		(495)		(1515)		(1607)
Year 4:						
Duty Free Price			(1803)		(1913)	
Insurance / Accident	(158)					
Maintenance	(463)					
Replacement	(44)					
Discount Factor	0.792		0.792		0.792	
		(527)		(1428)		(1515)
Year 5:						
Duty Free Price			(1803)		(2,252)	
Insurance / Accident	(162)					
Maintenance	(486)					
Replacement	(46)					
Discount Factor	0.747		0.747		0.747	
		(518)		(1347)		(1429)
Sub Total		(4899)		(7297)		(7871)
Resale Value		1241				
Total		(3658)		(7297)		(7871)

** Based on a study effected in 1999.* *Vide notes on page 93.*

Table 11.10: **Comparative Costs: Vehicle Cost = Lm12,000***

	Purchase		Hiring		Leasing	
Now:						
Duty Free Price	(4200)		Not Available		(3301)	
Registration Tax + Duty Recouped					3600	
Insurance	(240)					
Discount Factor	1				1	
		(4440)				299
Year 1:						
Duty Free Price					(3301)	
Insurance / Accident	(247)					
Maintenance	(258)					
Replacement	(75)					
Discount Factor	0.943				0.943	
		(546)				(3113)
Year 2:						
Duty Free Price					(3301)	
Insurance / Accident	(255)					
Maintenance	(380)					
Replacement	(77)					
Discount Factor	0.89				0.89	
		(633)				(2938)
Year 3:						
Duty Free Price					(3301)	
Insurance / Accident	(262)					
Maintenance	(460)					
Replacement	(79)					
Discount Factor	0.84				0.84	
		(673)				(2773)
Year 4:						
Duty Free Price					(3301)	
Insurance / Accident	(270)					
Maintenance	(540)					
Replacement	(81)					
Discount Factor	0.792				0.792	
		(706)				(2615)
Year 5:						
Duty Free Price					(3301)	
Insurance / Accident	(278)					
Maintenance	(590)					
Replacement	(84)					
Discount Factor	0.747				0.747	
		(711)				(2466)
Sub Total		(7709)	Not Available			(13607)
Resale Value		2127				
Total		(5582)				(13607)

** Based on a study effected in 1999.* *Vide notes on page 93.*

Notes on Table 11.8

- Discount factor at 6 per cent represents the after-tax cost of public burrowing.
- Hiring and Leasing costs are exclusive of VAT since such taxes will be recouped by Government.
- Hiring costs taken at Lm4.00 daily which is the average hiring cost within Departments for this category of vehicle.
- Resale value of Lm1200 adjusted for a discounted 6 per cent rate.
- Resale value calculated after depreciating 25 per cent using the reducing balance method.
- Maintenance costs are based on NAO survey which established vehicle repair costs.
- Leasing costs are based on quotations obtained by NAO.
- Replacement costs are based on daily hiring rate for eight days.

Notes on Table 11.9

- Hiring and Leasing costs are exclusive of VAT since such taxes will be recouped by Government.
- Hiring costs taken at Lm4.94 daily which is the average hiring cost within Departments for this category of vehicle.
- Resale Value of Lm1661 adjusted for a 3 per cent inflation rate and discounted at 6 per cent rate.
- Resale Value calculated after depreciating 25 per cent using the reducing balance method.
- Maintenance costs are based on NAO survey which established vehicle repair costs.
- Leasing costs of Lm5.24 daily are based on quotations obtained by NAO.
- Replacement costs are based on daily hiring rate for eight days.

Notes on Table 11.10

- Hiring and Leasing costs are exclusive of VAT since such taxes will be recouped by Government.
- Replacement costs are based on daily hiring rate for eight days.
- Hiring costs taken at Lm9.04 which is the average hiring cost within Departments for this category of vehicle.
- Resale value of Lm2848 adjusted by the discount rate.
- Resale value calculated after depreciating 25 per cent using the reducing balance method.

Maintenance costs are based on NAO survey which established vehicle repair costs.