

Performance Audit

Licensing and Testing Department

Report by the Auditor General

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To provide a multidisciplinary professional service to parliament, to government and the taxpayer and to be an agent of change conducive to achieving excellence in the public sector.

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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,

A handwritten signature in black ink, appearing to be 'J. G. Galea', with a horizontal line underneath.

J. G. Galea
Auditor General

The Hon. Speaker
House of Representatives
Valletta



Licensing and Testing Department, Hornsworks Ditch, Florida



Transfers and Renewals Section (Licensing and Testing Department)

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Executive Summary

1. A performance audit of the vehicle road licensing renewal process and vehicle transfers and conversions functions performed by the Licensing and Testing Department (LTD) was undertaken by the National Audit Office (NAO) during period December 2000 - October 2001. The main objectives of the audit were to establish whether the Department was:

- Employing resources and information technology in an optimal manner;
- Providing consistently services in accordance with the Department's Quality Service Charter;
- Taking adequate enforcement action to ensure the timely collection of revenue due in respect of road license vehicles.

Operations

2. During the morning session, the Renewal Section processes road license renewals in respect of clients calling personally at the Department (Renewals Section Windows). The total road licenses processed during 2000 amounted to 195,577 (vide para. 1.6.4.). 46 per cent of total renewals is processed during the mornings through the Renewals Section Windows. The rest are processed in the afternoon by the Renewal Section (16 per cent of total) and other Sections within the Department.

3. The Transfers and Conversions Section is responsible to process transfers of ownership vehicle and to process vehicle conversions – that is changing the vehicle from one category to another (a self drive vehicle to a private vehicle). This Section also records changes to vehicle features, such as change of vehicle engine or colour as well as alterations and changes to logbooks. During 2000, this Section issued a total of 53,994 transfers of ownership and conversion certificates.

Data Integrity

4. Data on vehicles are initiated on manual files and inputted in a computerised system called Vehicle Registration and Administration Computerised System (VERA).
5. A survey on the accuracy of data held at LTD was carried out. 'Critical Fields', that is information relating to vehicle owner particulars and vehicle features utilized for investigative and enforcement purposes were targeted. The survey targeted the incidence of mismatches between data held in computer and manual files. The survey revealed that 6.19 per cent of these fields did not reconcile – paragraph 2.2.4 refers.
6. In addition, a review of 506 Vehicle Roadworthiness Tests (VRT) processed by the Department on the 28th September 2001 revealed that VRT testing stations identified 310 discrepancies in 5,566 critical fields (5.57 per cent) between departmental records (computer file) and the actual physical vehicle features.

Customer Care

7. **Renewals Section** - A NAO survey held during January 2001 revealed that the time spent by customers in the queue and being served ranged from 6.3 minutes in mid month to 51.55 minutes at the end of the month when demand for service is at its peak. On average it takes 30 minutes for a customer to be served at the Renewal Section.
8. **Transfers and Conversion Section** - The situation at the Transfers and Conversions Section was considered as satisfactory. During the days of the NAO survey in January 2001, customer service time, on average, never exceeded the thirty-minute mark.
9. During December 2000 and January 2001 the LTD returned to vehicle owners 508 out of 4,065 (12.50 per cent) vehicle road licenses received by mail during the two months due to errors in cheques, missing documentation and pending traffic fines.

10. A random sample of 680 clients calling personally at the Department during January 2001 to renew vehicle road licenses revealed that 69 customers or 10.14 per cent could not be served since the requested transaction could not be processed as customers did not present the required documentation.

11. During the same period, 71 out of 329 (21.6 per cent) randomly sampled customers calling at the Transfers and Conversions Section could not be served for reasons cited in paragraphs 9 and 10.

12. Lack of communication between the Department of Local Councils, the Law Courts and LTD to take prompt action for the removal of Road License Renewals restrictions regarding a pending traffic fine poses a hindrance to customers seeking to renew a road license even after a traffic offence fine has been settled.

Financial Issues

13. The Department did not submit information relating to the costs of the various services provided by the Renewals Section and Transfers and Conversions Section.

14. During 2000 the Department generated Lm35,231,766 out of which Lm10,597,283 were in respect of 256,254¹ road licenses. LTD records show that as at end December 2000, the Department was owed over Lm3.5 million in respect of outstanding road license fees. The Department contends that Lm2.4 million (67 per cent) are statute barred. In addition, the ratio of outstanding road licence fees, to revenue generated in respect of road licenses fees has increased from 9.36 per cent in 1996 to 18.83 per cent in 2000².

15. NAO is recommending measures that can be adopted by LTD to improve on its services at the sections under this audit.

¹ Includes license permits for which no fees are due.

² Ratio under discussion excludes return of arrears of revenue accumulated before 1996, that is Lm1.545 million since the Department has initiated writing-off procedures.

Part 1: Introduction

1.1.1. Compared to other countries, Malta has one of the highest per capita vehicle ownership levels which, during 2000, stood at 467 per 1,000 population as against the EU-15 average of 454.³ The Licensing and Testing Department is responsible for all aspects of vehicle licensing and testing and driver licensing, training and testing, and maintains a national database of vehicle and driver records. This enables the Department to:

- Facilitate law enforcement and road safety by maintaining registers of drivers and vehicles;
- Regulate vehicles' roadworthiness and insurance; and
- Collect the relevant fees due.

1.1.2. A performance audit of key operations carried out by the Licensing and Testing Department (LTD) within the Ministry for Transport and Communications was undertaken during period December 2000 - October 2001. The audit focused on functions carried out by the Renewal of Vehicle Road Licenses Section and the Transfers and Conversions Section of the Department. The former renews vehicle licenses and the latter registers transfers of and conversions to vehicles.

1.2. Background

1.2.1. The Licensing and Testing Department was set up in 1993 and took over functions that, till then, were carried out by the Police Department. The Department is responsible for the licensing of local drivers and the registering, testing and licensing of all motor vehicles.

1.2.2. The principal legislation that regulate the functions of the Department are the Motor Vehicle Registration Tax Act

³ Central Office of Statistics - March 2000.

(1994), the Police Licenses Act (Cap 128), the Motor Vehicle Insurance (Third Party Risks) Ordinance (Cap 104), the Motor Vehicles Regulations (1994) and the Motor Vehicle Roadworthiness Test Regulations (1998). A comprehensive list of laws and regulations that govern the land transport sector in Malta is at Appendix 1.

1.2.3. The principal functions of the Department are:

- **Issuing of licenses** (motor vehicles, drivers, car park attendants, motor car dealers, VRT station operators and licensed vehicle testers);
- **Testing** of motor vehicles, drivers, driving instructors and licensed vehicle testers;
- **Registration** of motor vehicles, transfer of ownership of motor vehicles and conversions to vehicles;
- **Issuing of permits** in terms of the Motor Vehicle Regulations, 1994 (including, registration number plates, scrapping and garaging of vehicle permits etc); and
- The **collection of** registration **tax**, road and driving license **fees**, driving tests and other related fees, vehicle testing administration charges and sale of number plates.

1.2.4. As at end 30th December 2000, LTD records indicate that 241,891 vehicles were duly allocated with the current vehicle number plates, which have been in use since 1995. The amount of number plates in issue relates to the potential number of vehicles on Maltese roads. However, as at end 30th December 2000, only 219,498 of these vehicles were issued with a valid road license. The discrepancy between these two figures arise since vehicle

owners may not have informed the department that the vehicle has been scrapped. The Department can only classify a vehicle as scrapped if its number plates have been returned to the Department. Another reason contributing to the discrepancy is that owners failed to renew the vehicle road license.

1.2.5. As at end 2000, LTD records indicate that since the introduction of the VERA System, 246,825 vehicles were issued with a road license. A detailed breakdown by vehicle category is shown in Table 1.

Table 1 - Number of Licenses Vehicles by Category - December 2000

Vehicle Category	Number	Distribution (%)
Agriculture	1,010	0.41
Coach	156	0.06
Commercial Vehicle	43,164	17.49
Garage Hire	1,034	0.42
Mini-Bus	397	0.16
Motor-Cycle	12,167	4.93
Private Cars	182,105	73.78
Route Buses	573	0.23
Self-Drive	5,738	2.32
Self-Drive Motor-Cycle	235	0.10
Taxi	246	0.10
	246,825	100.00

Source: Licensing and Testing Department.

1.3. Organisation of the Licensing and Testing Department

1.3.1. In 2000, the Licensing and Testing Department employed 88 staff⁴. 53 per cent (46) of the Department's staff resource is employed on vehicle registration, testing and

⁴ As at end 2000.

licensing. Of these, 18 are responsible for new registrations and licensing of vehicles, 12 on the renewal of licenses, and 12 for registering transfers and conversions⁵. 3 are in charge of vehicle testing and registration. An Assistant Director heads these sections.

1.3.2. Another Assistant Director is responsible for four sections - Staff Training and Internal Audit, Finance and Administration, Driving Licenses and Drivers' Training and Testing. These sections are staffed by 25 (29 per cent) officers. Of these 15 are responsible for the processing of applications for driving tests and licenses and the issue of international licenses and trailer permits. Another 9 personnel are deployed at the Finance and Administration Section. One official is responsible for staff training and internal audit.

1.3.3. The Secretariat and Information Technology units of the Department support these functions. These account for 15 per cent (13) and 3 per cent (2) of the Department's staff resource. A detailed organisation structure, indicating the number of employees in each section, is shown in Chart 1.

1.4. Output for year 2000

1.4.1. During 2000, the Licensing and Testing Department issued or renewed 359,793 licenses, permits and certificates. Of these, 276,692⁶ (76.90 per cent) were in respect of vehicle road licenses, 30,194 (8.39 per cent) were in respect of transfer of ownership and 23,800 (6.61 per cent) were in respect of conversions to motor vehicles. Driving licenses and tests, and learner's, international driving, trailer and other permits issued amounted to 29,107 (8.10 per cent). A detailed list is shown in Table 2.

⁵ Up to November 2000, 6 personnel were employed at the Renewal Section, and 8 Counter clerks at the Transfers and Conversion Section.

⁶ Includes 20,428 licenses processed at the Gozo Licensing Office.

Table 2 - Licenses and Permits carrying a fee issued by the Licensing and Testing Department – 2000

License/Permit Issued	No.
Vehicle Licenses	276,692
Driving Licenses	7,763
Driving Tests	10,172
Learners' Permits	9,090
Other Permits (inc. international driving and trailer)	2,082
	305,799

Source: Licensing and Testing Department.

Note: 30,194 motor vehicle transfers and 23,800 conversions which do not carry a fee were also carried out during the year. Fees in respect of Licensing of Vehicles are only collected in respect of renewals, new registrations and Valletta upgrades. Vide chart 2.

1.5. Revenue

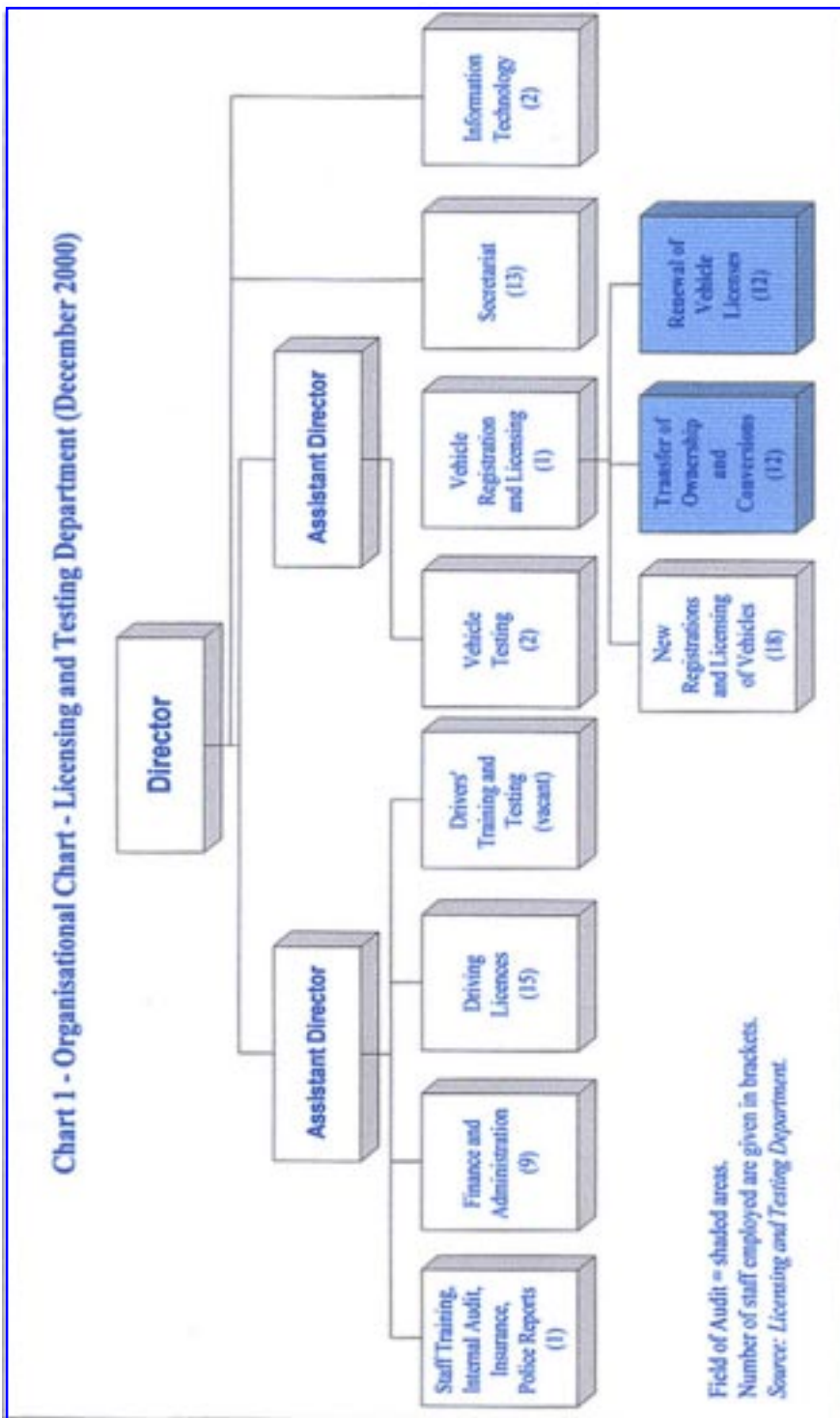
1.5.1. Revenue collected by the Department on behalf of Government during 2000 amounted to Lm35,231,766⁷. Motor vehicle registration tax and motor vehicle licenses accounted for 68.06 per cent and 30.08 per cent respectively of total revenue collected. The sale of number plates, administrative charges and other miscellaneous reimbursements accounted for the remaining 1.86 per cent. Table 3 refers.

Table 3 - Revenue collected by the Licensing and Testing Department – 2000

Category	Lm
Motor Vehicle Licenses	10,597,283
Motor Vehicle Registration Tax	23,978,786
Administration Charges for Testing of Motor Vehicles	165,999
Sale of Number Plates	489,470
Miscellaneous Reimbursements	228
	35,231,766

Source: The Treasury.

⁷Source: The Treasury as at 1 March 2001.



1.6. Fields of Audit

Vehicle Road Licenses (License disc affixed to windscreen)

1.6.1. Road license fees are paid according to vehicle class and category. Drivers are required to renew their road license annually. The non-payment and annual renewal of the relative vehicle road license is a criminal offence that involves either keeping or using an unlicensed vehicle on a public road. Owners must also produce a proof of insurance and a VRT certificate (when required) to obtain a license. A license disc is issued by the Department to show that it has been paid and to provide proof of exemption where appropriate.

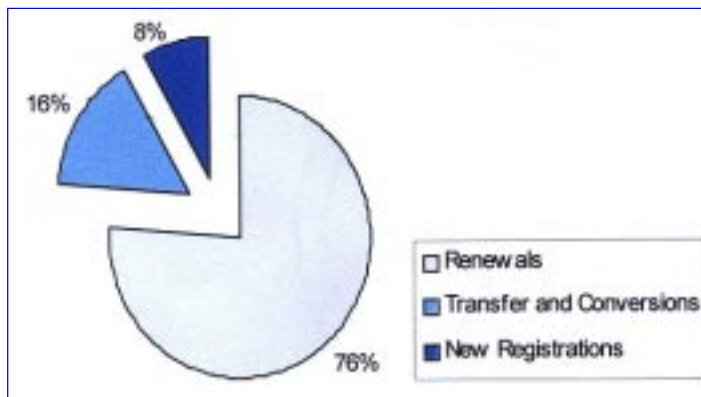
1.6.2. The current rates of vehicle road license fees for the main vehicle categories are shown at Appendix 2.

1.6.3. Vehicle road licenses can be renewed by post, leaving documents at the counter and collecting them the next day, or by calling personally at the Department. The LTD has indicated that the most convenient methods of renewal for the Department are payments by post or clients leaving documents at the counter. However, despite the Department's efforts to introduce renewal by post, data collected indicate that vehicle owners prefer to call personally at the Department to effect renewal.

1.6.4. Chart 2 provides a breakdown of the 256,264⁸ road licences issued by the LTD during 2000. For the purpose of this audit, road licenses have been grouped into three categories, which are considered to represent the main types of road licenses, namely Renewals, Transfers and Conversions and New Registrations.

⁸ Excluding 20,428 licenses renewed in Gozo.

Chart 2 – Distribution of Road License Renewals as issued by the various Sections within LTD



Source: MITTS Ltd.

- **Renewals** – This category totalling 76.3 per cent of total licenses issued during 2000, includes 186,346 ‘normal’ road licenses renewals (72.7 per cent of total), 5,889 duplicate road licenses (2.3 per cent) and 3,342 Valletta Upgrades (1.3 per cent). ‘Normal’ road license renewals relate to licenses issued to renew an existing road license by its due date. ‘Duplicate’ road licenses are issued as a replacement for a lost road license. Valletta upgrades are issued in instances where a valid road license is upgraded against a pro-rata payment to enable a vehicle to enter Valletta.
- **Transfers and Conversions** - This category of road licenses amount to 16 per cent of the total road licenses issued by the Department. Road licenses issued following ‘a Transfer of Ownership’ amounted to 24,713 (9.6 per cent of total licenses issued) or a ‘Conversion’ amounted to 16,359 (6.4 per cent).
- **New Registrations** - This category amount for 7.6 per cent of total licenses issued by the Department. It comprises of 15,362 (6 per cent) road licenses issued in respect of ‘Newly Registered’ vehicles. Road

license documentation issued in respect of 'Garaged Vehicles' amounted to 3,804 (1.5 per cent). 'Phase 3 Garaged Licenses' issued to vehicles which are garaged immediately on import amounted to 421 (0.1 per cent), were also included in this category.

1.7. Transfer of Ownership and Conversions to Vehicles

1.7.1. Vehicle owners are required to notify the Licensing and Testing Department of vehicle transfers, disposals or of vehicles being scrapped. To effect a transfer of ownership, both parties (the seller and the buyer) have to fill in and sign the back part of the registration document (the log book) in the presence of a witness. The Department charges no fees when a transfer is effected. Nonetheless, owners are obliged to register the transfer with LTD within 7 days from date of sale.

1.7.2. In 1999, the Department introduced new procedures for the transfer of vehicles from one owner to another. These procedures streamlined the processing of transfers by adopting one-stop-shop concepts. Previously the transfer process was effected through four different stages. The possibility of effecting the transfer of ownership by post was also introduced.

1.7.3. Owners are also obliged to inform LTD of personal details that need to be amended due to a change in name as a result of marriage or a change of address. Changes carried out on vehicles such as alterations to the bodywork and change of colour require prior approval from LTD. In such cases, the Department issues new registration documents free of charge. Changes to vehicle engine also require the Department's approval. A new registration document and a license disc are issued free of charge if the new engine's capacity is within the tax range of the old engine.

1.8. Audit Objectives

1.8.1. The functions carried out by the two sections are key operations of the Department. The audit objectives for the operations under review were to evaluate whether:

- Adequate planning enables the Department to attain its strategic objectives;
- Targets stipulated in the Department's business plan are attained;
- Control mechanisms in place are conducive to ensure that all registered vehicles are licensed;
- Adequate enforcement action is taken by the Department to ensure the collection of revenue due in respect of vehicle road licenses;
- Human resources and information technology (IT) are employed in an optimal manner;
- The LTD is consistently providing services in accordance with the Department's quality service charter.

1.9. Audit Scope

1.9.1. The scope of this audit included the review of:

- The Department's business plans in order to establish whether level of operations are conducive to the realisation of policy and targets;
- The Department's database;
- Costs incurred in providing services;
- Reports related to the Quality Service Charter.

1.10. Methodology

1.10.1. Interviews were held with LTD senior management and officials responsible for the running of the sections under review. Relevant documentation, including organisation charts, financial records and management reports, was reviewed to enable the evaluation of the sections' cost-efficiency.

1.10.2. Data integrity of records maintained by the Department was validated through the examination of a random sample of 316 files and the matching of file data to the electronic database.

1.10.3. Services provided by the two sections to clients calling personally at the Department were also evaluated during January 2000. This entailed the collection of information regarding processing times of the various functions carried out, volumes, and waiting times. This exercise mainly targeted (i) efficiency issues and (ii) the quality of service to customers.

1.10.4. An Internal Control Questionnaire (ICQ) was also completed by the Department's management. The ICQ dealt with:

- The role of the Licensing and Testing Department, legal framework, departmental policies and liaison with other government departments;
- Resource allocations;
- Internal controls;
- Collection and enforcement of vehicle road licence arrears;
- Quality of service;
- Cost-efficiency and effectiveness-related issues.

Part 2: Data Integrity Evaluation within Licensing and Testing Department

2.1. Introduction

2.1.1. This section of the report evaluates the integrity of the motor vehicle records kept by the Department. The Licensing and Testing Department is responsible for the maintenance of a computerized vehicle database which maintains records related to all vehicles in Malta and Gozo. In addition to the computerized records, the Licensing and Testing Department also maintains manual files in respect of all vehicles. The importance of both sources of records stems from the fact that they enable:

- Statistics related to vehicles in Malta to be generated;
- The Department to collect revenue due to Government in respect of vehicle registration and licensing;
- Investigations concerning vehicles.

2.1.2. Prior the establishing of the Licensing and Testing Department in 1993, the Department was under the responsibility of the Police Department and used to record all vehicle transactions manually. In 1994, the former Management Systems Unit (MSU) started a process to convert the manual system into a computerised one - The Vehicle Registration and Administration Computerized System (VERA).

2.1.3. The VERA system is used by the Department to document and update vehicle information. The VERA system

also records road license renewals and enables the Department to manage the Vehicle Roadworthiness Test (VRT).

2.1.4. Originally the transfer of data held in manual files had to be made directly to the VERA system. However, this process was considerably delayed. Consequently, as an interim measure, a temporary electronic file called V file was created. The purpose of this file was to enable data held in manual records to be inputted into this electronic file for eventual transmission to the VERA system.

2.1.5. However, the incompatibility between the programming bases of the two systems became apparent when the data held in the V file was transferred into the VERA system. It could not be confirmed that all data in V file was transferred to VERA.

2.1.6. LTD did not perform a data validation exercise to confirm transfer of data. The LTD has embarked on updating its electronic data of those vehicles which are undergoing a vehicle road worthiness test (VRT). However, only those fields addressed by a VRT⁹ are being updated. It is assumed that when all cars have been VR tested, LTD would have a higher level of data integrity, at least were fields addressed by VRT are concerned.

2.2. Addressing Data Integrity

Skipped Unique Reference Numbers

2.2.1. The VERA system allocates a Unique Reference Number (URN) for every vehicle registered with the Licensing and Testing Department. The URN is an automatic consecutive number generated by the VERA system. The URN enables internal controls within a computer system. Moreover, in the case of Licensing and Testing Department, the URN is the cross reference to manual files where vehicle documentation is maintained.

⁹ Fields addressed for VRT purpose includes vehicle make, model, body type, engine make, engine number, chassis number and engine capacity.

2.2.2. During the evaluation of the population from the VERA system, NAO found that 65,674 URNs which had neither a manual file nor a record on the VERA system. Skipped URNs in the VERA system potentially decreased its internal controls.

Internal Controls

2.2.3. Internal controls relating to the VERA system are intended to assure data integrity and accountability. Generally, internal controls are based on accessibility to the VERA system and in built mechanisms, which provide an audit trail of each and every transaction processed. The NAO established that the effectiveness of internal controls related to the protection of records held by the Department in respect of road license renewals were diminished due to the following:-

- a) Most employees had access to renew road licenses (70 per cent of staff - 56 out of 80¹⁰). Although such access was intended to enhance organisational flexibility, it gave rise to a situation where Sections other than the Renewals Section processed road license renewals.
- b) Neither the VERA system nor any other manual record within the Department could identify the origins of an individual road license renewal request (that is either through the mail, by depositing renewals at the Department for later collection or by customers calling personally at the Department).
- c) In conjunction with access rights to renew road licenses, the same staff has access facilities to amend critical fields in the VERA system. Generally amendments to critical fields are performed following a report compiled by vehicle road worthiness testing stations which indicates discrepancies between vehicle records printed on the vehicle log-book (data emanating from the VERA system) and actual physical vehicle features (such as engine number, chassis number, colour etc.). The LTD does not routinely

¹⁰ Excluding 8 staff employed as messengers and trade workers.

generate reports relating to changes made to critical fields. Consequently, LTD management is not in a position to confirm the validity and/or correctness of such changes.

- d) NAO considers that the wide availability of access facilities to amend critical fields poses an increased risk to the Department that such facilities could be potentially be abused.

Mismatched¹¹ Data

2.2.4. NAO sought to evaluate the data held at the LTD by matching electronic system records with relating manual records held in vehicle files. The evaluation was targeted at critical fields.¹²

2.2.5. A random sample of 316 vehicle records from 296,691¹³ active vehicle files held on the VERA electronic system as at end November 2000 were matched against their relative manual records. This matching exercise was carried out after circa 30% of vehicles had been VR tested and thus their relevant fields were updated in the VERA system. The findings on the matching exercise are given below.

Incidence of Mismatches

2.2.6. Chart 3 opposite gives the distribution of incidence of mismatches found in sampled records.

2.2.7 Chart 3 shows that:

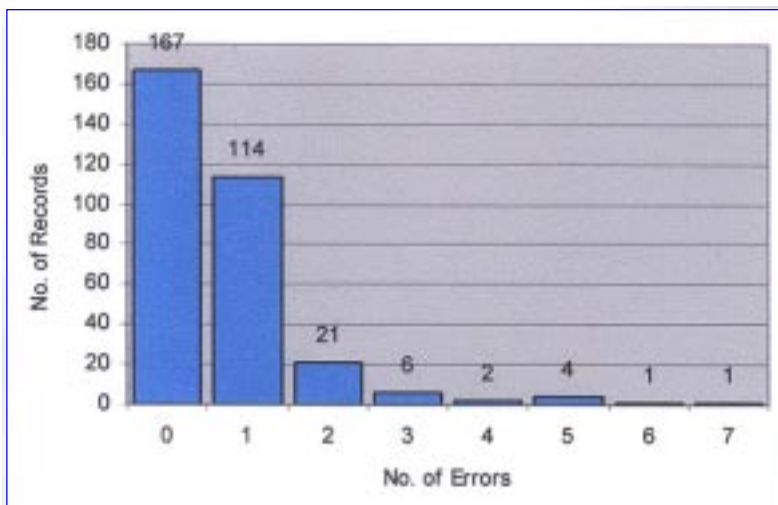
- The NAO observed 215 mismatches during its review of 316 electronic files when compared to manual vehicle files. On average this works out at 0.68 errors per file.

¹¹ A 'mismatch' is an instance where information in electronic and manual file did not reconcile or fields in the VERA system were blank or incomplete.

¹² The matching exercise targeted the critical fields listed in Table 4.

¹³ Stock of registered vehicles and vehicles unlicensed since 1994.

Chart 3 – Frequency of Mismatches in the sample



Source: Licensing and Testing Department .

- The mismatches constitutes 6.19¹⁴ per cent of the total fields reviewed.
- 167 (52.8 per cent) out of the 316 VERA records reviewed were considered to be 100 per cent accurate.
- At least one mismatch was observed in 114 vehicle files (36.1 per cent) in the VERA system.
- 14 vehicle files (4.43 per cent) in the VERA system were noted to have at least three mismatches.

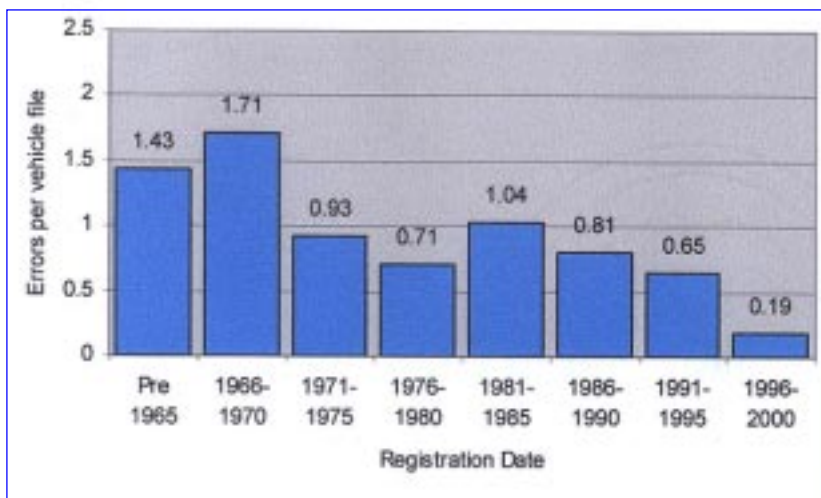
Age of vehicles and relative level of mismatches

2.2.8. The distribution of errors in the sample was studied against the age of vehicle. The result is given in Chart 4.

2.2.9. Chart 4 indicates that:

¹⁴ 256 mismatches emanating from the review of 11 fields listed in Table 4 for each of the 316 sampled files.

Chart 4 – Distribution of Mismatches by Vehicle First Registration Date.



Source: Licensing and Testing Department.

- A significant number of mismatches pertained to vehicles registered with the Department before the introduction of the VERA system in 1995 (194 out of 215 mismatches - 90.23 per cent).
- Since the introduction of the VERA system in 1995 the number of mismatches per Registration Date declined to an average 0.19 per vehicle file in period 1996 - 2000.
- The highest rate of mismatches pertained to vehicles registered pre 1970 and period 1981-1985.

Breakdown of Mismatches by 'Critical' Field

2.2.10. The NAO analyzed the frequency of mismatches in 'critical' fields¹⁵. Critical fields are considered to be those fields which enable the vehicle owner and vehicle to be identified and other fields related to revenue collection (cubic capacity of engine).

¹⁵ See footnotes 9 and 11.

2.2.11. Table 4 gives results of mismatches arising from the sample in absolute and percentage terms. Lower and upper limit projections on the population, in absolute and percentage terms, are also given. These projections carry a 95 % confidence level with margins of error as indicated.

Table 4 – Mismatches between electronic and manual critical fields

Critical Fields	No. of records with mis-matches	% of records with mis-matches	At 95% Confidence Level		At 95% ConfidenceLevel	
			Lower Limit % of records	Upper Limit % of records	Lower Limit no. of records	Upper Limit no. of records
Engine Make	4	1.27	0.37	3.35	1,094	9,890
Name and Surname of Owner	7	2.22	1.30	5.21	3,835	15,388
Make of Vehicle	10	3.16	2.33	6.97	6,876	20,585
Previous Owners	12	3.80	3.05	8.11	9,005	23,948
ID Card Number	14	4.43	3.79	9.23	11,192	27,253
Body Type	19	6.01	5.71	11.97	16,849	35,326
Cubic Capacity	19	6.01	5.71	11.97	16,849	35,326
Engine Number	7	2.22	1.30	5.21	3,835	15,388
Chassis Number	4	1.27	0.37	3.35	1,094	9,890
Model of Vehicle	35	11.08	12.21	20.35	36,040	60,072
Seating	84	26.58	33.69	44.45	99,454	131,216
Total	215					

Source: Licensing and Testing Department.

2.2.12. The 215 mismatches presented in Table 4 were due to the following:

- **Unreconciled Manual And Electronic Records** - 65.12 per cent (140 out of 215) of manual files did not reconcile with the VERA system. It is to be pointed out that 81 out of the 140 mismatches pertained to the 'seating capacity' field.
- **Blank Fields In The VERA Or Manual System** - 34.88 per cent (75 out of 215) of mismatches pertained to

blank records in either of the data systems maintained by the LTD. 56 out of the 75 blank records were detected in the VERA system. The blank fields generally pertained to name and Identity Card number of owner and make, model or body type of vehicle.

- NAO observed another 41 incomplete records in both the manual and electronic system. This shortcoming emanated from engine and chassis number field. This situation resulted due to a past practice, whereby only the last six digits of a sixteen to eighteen digit reference number were entered in official documentation. The official documentation relates to '*inspection form*', which used to be completed by the Police Department when physically inspecting vehicle engines and chassis numbers. These incomplete records were not considered as mismatches in our study.

Vehicle Gross Weight (Tonnage)

2.2.13. The vehicle gross weight field '*Tonnage*' field is being afforded increasing importance by the LTD due to the harmonization of local with European Union Standards. The '*Tonnage*' field has only been updated in respect of vehicles that have undergone the VRT. The NAO sample revealed that in 162 out of 316 cases (51.27 per cent) the '*Tonnage*' field remained blank in the VERA system as at end February 2001. The risks associated with this situation relates to the availability of statistics considered as fundamental for road construction purposes. Moreover, the vehicle weight field constitutes an important control feature in the database and VRT tests.

2.3. Importance of Data Integrity

2.3.1. The NAO exercise revealed various shortcomings in the electronic and manual data held by the Licensing and Testing Department.

2.3.2. 6.19 per cent¹⁶ of total fields reviewed in the sample may be considered as problematic. However, seating, the least critical of the fields reviewed contributed significantly to this result.

2.3.3. Although limited in magnitude the ‘*mismatches*’ indicated in Table 4 show that there is room to improve the accuracy of data held by the LTD. Mismatches diminish the effectiveness of the database since inaccuracies in critical fields are tantamount to the following:

- ***Owner Identification*** - The vehicle owner name as well as identity card number are considered as critical fields which enable vehicle owner identification. Mismatches in these fields hinder the LTD from tracing a vehicle owner in a more efficient and expedient manner.
- ***Vehicle Identification*** - The critical fields which identify a particular vehicle are ‘*vehicle make*’, ‘*vehicle model*’, ‘*vehicle body type*’, ‘*engine make*’, ‘*engine number*’ and ‘*chassis number*’. Data inaccuracies related to these fields negatively affect investigations performed by the Police or other entities in respect of particular vehicles.
- ***Revenue*** - Erroneous input of the ‘*cubic capacity*’ field in the VERA system may potentially affect revenue collection in respect of vehicle registration and road licenses since relative rates are based on engine cubic capacity. The mismatches observed, however, did not result in changes in road license fee bands or road license fee levied.

2.3.4. Notwithstanding, it could not be determined:

- Which of the mismatched information is incorrect i.e. whether the errors are in the electronic or the manual system; and

¹⁶ See second bullet in para. 2.2.7.

- That there are no errors in cases of matched records. It could be that both the electronic and manual information is wrong, irrespective of whether they match.

2.3.5. The Department is generally aware of the limitations of data held in the VERA system which in cases resulted due to the Department's operational practices prior 1995. In fact, the Department had embarked on action to update its records following the VRT certificates. Doubts on the integrity of the data in the system ought to disappear when this update will have been completed in the near future.

2.4. Discrepancies between LTD documentation and physical vehicle features identified through the VRT

2.4.1. Vehicle Road Worthiness testing stations are obliged to physically verify vehicle features against LTD documentation, namely the vehicle log-book, when performing VRTs. In instances where a discrepancy is noted between these two sources, the testing station raises a 'discrepancy form', which is attached to the VRT certificate and must be presented at the Licensing and Testing Department when the vehicle road license is renewed. However, it is to be noted that the Department is not in a position to confirm whether all forms reach the Department. Testing stations are required to verify records in respect of 11 critical fields (listed in Table 5). Through the physical verification of data by testing stations, the LTD is exploiting the opportunity to verify and update data held in the VERA system.

2.4.2. A review of 506 Vehicle Road Worthiness Tests processed by the Department on the 28th September 2001, revealed that VRT testing station identified discrepancies between the physical vehicle features and departmental records, namely the vehicle log book, in 150 vehicles and consequently raised the relevant discrepancy forms.

2.4.3. The NAO observed that the 150 discrepancy forms identified 310 instances where either Departmental records did not match the physical features of vehicle being road tested or departmental records were not available. The 310 discrepancies observed out of the 506 vehicles which were road tested constituted a discrepancy rate of 5.57 per cent¹⁷. Table 5 below provides a breakdown by field of the 310 discrepancies observed by testing stations.

Table 5 – Breakdown by Critical Fields of discrepancies between Vehicle Log-Book and physical vehicle features as observed by LTD testing stations

Field	Changes Count	Percentage
Chassis No.	138	44.52
Gross Weight	90	29.03
Engine No.	48	15.48
Body Type	15	4.84
Colour	7	2.26
Engine Make	0	0.00
Capacity	2	0.65
Fuel	0	0.00
Seating	4	1.29
Make	0	0.00
Model	6	1.94
	310	100.00

2.4.4. The NAO verified whether the Department updated its computer system on the basis of ‘*Discrepancy Forms*’. In 278 out of the 310 cases (89.68 per cent), discrepancies observed by testing stations were duly updated in the VERA system. In 24 instances (7.74 per cent) the system was not updated. In the remaining 8 cases (2.58 per cent), the system was erroneously updated and consequently data in the VERA system did not reconcile with the ‘*Discrepancy Form*’.

¹⁷ Through 506 VRTs, testing stations would have verified 5,566 critical fields (11 fields for 506 vehicles).

Part 3: Operations

3.1. Introduction

3.1.1. This part of the report reviews operational activities undertaken by the Road License Renewals Section and by the car Transfers and Conversions Section. NAO sought to evaluate whether adequate control mechanisms are in place and are conducive to ensure that all vehicles on Maltese roads are licensed and that any modification relating to vehicle and vehicle owner information is duly recorded by the Department. This section of the report identifies bottlenecks impinging on the efficiency of the Renewals and Transfers and Conversions processes. Enforcement issues relating to both Sections will also be discussed.

3.2. Operations of the Road License Renewals Section

Road License Renewals

3.2.1. One of the principal functions within the Licensing and Testing Department is the renewal of the Vehicle Road License. The road license is an authorization for the vehicle to be on the road. The road license is valid for a year and is non-transferable¹⁸. A valid driving license must be displayed on the left-hand side of the windscreen. During the year 2000, the Licensing and Testing Department issued 256,254¹⁹ road licenses and collected Lm10,597,283²⁰. Twelve personnel were employed at the Renewals Section and were headed by an Assistant Director.

¹⁸ Source: Quality Service Charter - LTD.

¹⁹ Source: Licensing and Testing Department. Includes licensing and permits for which no fees are due.

²⁰ Source: The Treasury.

3.2.2. The policy of the Department is to accept license renewal requests one and a half months prior to the expiry date of the motor vehicle road license. Such a policy is meant to provide vehicle owners with ample time to renew road licenses. Such a policy is also intended to enable an even distribution of the renewals workload.

Methods of Renewals

3.2.3. Payments in respect of vehicle road licenses can either be effected through the mail, by calling personally at the department or by leaving road license renewal documentation at the counter. A valid vehicle insurance certificate and a Vehicle Roadworthiness Test (VRT) certificate - if the vehicle is due to be tested for its roadworthiness - are prerequisites to renew a road license.

3.2.4. ***Renewals Received Through The Mail*** - Renewals through the mail offer both the client seeking to affect a road license renewal and the Licensing and Testing Department advantages. Road license renewal by mail enables the LTD to distribute its workload in accordance to the Department's requirements rather than reacting to serve customers calling personally.

3.2.5. The Licensing and Testing Department does not maintain a record of licenses received by post. From data collected specifically for this audit by the LTD during December 2000 and January 2001, the Department received a total of 1,783 and 2,282 licenses by post respectively. This amount constitutes 10.7 per cent and 9.1 per cent of total licenses renewed during December 2000 and January 2001.

3.2.6. During the months that '*mail renewals*' data was collated it transpired that a significant number of renewals could not be processed. In December 2000, 127 renewal applications out of 1,783 (7.1 per cent) were returned to vehicle

owners. During January 2001, 381 renewal applications out of 2,282 (16.7 per cent) were returned to vehicle owners. The Licensing and Testing Department did not maintain data relating to the reason/s why a road license renewal application was referred back to the vehicle owner. Interviews with LTD employees, however, revealed that, in their opinion, the most common reasons for not processing and referring back 'mail renewals' are:

- Errors in cheques submitted to the LTD;
- Missing documentation (such as a valid insurance policy or VRT certificates); and
- Unsettled pending traffic fines.

3.2.7. The situation discussed above results in the following:

- Due to a lack of data relating to 'mail renewals' the Department is not in a position to take action aimed at encouraging increased use and efficiency of the mail service.
- The amount of renewal applications referred back during December 2000 and January 2001 constitute duplication of work for the Department as well as an inconvenience to the Public.
- A lack of customer awareness, thus causing inefficiencies in the road license renewal process.

3.2.8. *Renewals By Calling Personally At The Department-*

Vehicle owners with three or less road licenses to renew can be served personally by counter clerks. The majority of licenses are renewed through this method²¹.

3.2.9. Data collated by the NAO in January 2001 revealed that 39.6 per cent of customers calling at the LTD²² renewed

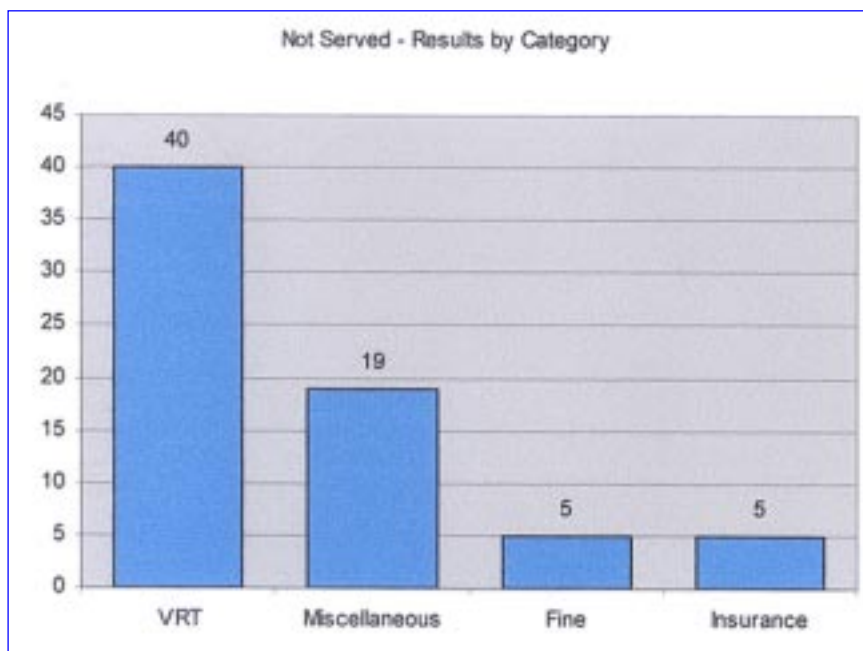
²¹ Vide Chart 2 in Part 1.

²² A survey was held over a period of 10 working days, spread over 2 working days per week during the month of January 2001. The survey covered 2,708 customers.

road licenses during the last seven days of the month, with the consequence that the counter clerks are at times rendered idle in the middle of the month and stretched to the limit towards the last week of the month. Issues relating to customer care emanating from this method of renewing road licenses are discussed in detailed in Part 4 of this Report.

3.2.10. The NAO randomly sampled 680 customers (part of the sample as per footnote 22) during January 2001 to measure, *inter alia*, the rate at which customers were unable to receive service. Out of the 680 customers requesting a renewal of a road license, 69 customers (10.14 per cent) were not served since the transaction could not be processed. Chart 5 below gives a breakdown of the issues which contributed to the non renewal of road licenses.

Chart 5 – Non-Processing of Requested Renewals by the Renewals Section



Source: NAO Working Papers.

3.2.11. Chart 5 indicates that:

- 40 requests for road license renewals out of the NAO sample of 680 customers (5.88 per cent) could not be entertained due to VRT related problems. Generally these problems emanated since customers did not provide a valid VRT certificate.
- Five road license renewals (0.73 per cent) could not be processed since pending traffic fines were not settled by the client.
- Five (0.73 per cent) road licenses were not processed since valid vehicle insurance documentation was not made available to LTD.
- 19 (2.79 per cent) requests for road license renewals could not be processed due to various reasons. Generally, renewals could not be processed due to the non-presentation by the customer of the required documentation (13 out of the 19). The remaining cases related to payment and vehicle ownership related problems and system's breakdown at the Licensing and Testing Department.

3.2.12. Bottlenecks caused to the road license renewals process through the VRT and Traffic fines are discussed in detail in paragraphs 3.2.14 to 3.2.17 respectively.

3.2.13. *Renewals By Leaving Documentation At The Counter* - Another method of affecting a renewal is by leaving the documents together with the payment at the counter and receive the Renewals documents by mail or by calling personally at a given time. Such a service is available for clients with more than three road licenses to renew. Companies involved in the transportation industry generally utilize this service. During December 2000, 1,417 renewals (or 8.52 per cent) were left at the counter. In January 2001, 4,250 (or 16.9 per cent) renewals were handed to the counter. Generally, counter clerks process these licenses during the afternoon when the Department is closed to the public.

Bottlenecks in Road License Renewals Process

3.2.14. Vehicle Roadworthiness Test (VRT) - The VRT was introduced in October 1999. Vehicles with a 'pass' VRT certificate are eligible for road license renewal. As a consequence of the VRT, the renewals process was made more laborious and consequently 'counter processing time' increased. Information Technology system problems related to the VRT negatively impinged on the efficiency of road license renewals process.

3.2.15. Pending Traffic Fines - Paragraph 18A of the Traffic Regulation Ordinance stipulates that “ *where any fine / multa or ammenda is awarded by a court of criminal jurisdiction, or where a Commissioner of Justice has made an order for the payment of a penalty.....*”, the road license cannot be renewed pending the settlement of the offence mentioned fine regarding penalty.

3.2.16. Pending traffic fines hinder the renewals process service as:

- Local Councils and the Law Courts do not always lift restrictions imposed to renew road license following the payment of traffic fines.
- There are instances where customers are not aware of a pending traffic fine. Moreover, the LTD is not in a position to inform the client of the nature of the fine. Unless client opts to pay the pending traffic fine without seeking further classification, the client has to be referred back to either the Law Courts or Local Courts - the source of imposing the fine or penalty.

3.2.17. Operational problems created through pending traffic fines are considered as avoidable bottlenecks. Prompt action from the concerned organisation, that is the Department of Local Councils and the Law Courts, for the removal of restriction once a pending traffic fine is settled, would result in less hindrance to clients seeking to renew their road license and enhance the efficiency of the LTD.

Enforcement

3.2.18. The Department is owed more than Lm 3.5 million in road licenses arrears. Such an amount has been steadily increasing since 1994 where moneys owed to the Department in respect of pending road licenses amounted to Lm1.5 million. This situation will be discussed in detail in Part 5 of the report.

3.2.19. In the recent past the Department utilized the services of the Police Department to enforce initiatives vis-à-vis road license renewals. The Police Department used to be supplied with a list of road license defaulters. However, this practice was discontinued since minimal success was registered.

3.2.20. The Department also discontinued the practice of routinely issuing reminders to road license defaulters since marginal results were obtained. The LTD stated that in 1996, over 27,000 claims for the payment of arrears in respect of vehicle-registered owners were issued. Only about 600 responses were received, and 470 of respondents could not recall whether they had either scrapped or given away their vehicle²³.

3.2.21. The only enforcement initiative currently being undertaken by the Department include that a current license is not issued unless previous arrears are settled. Such an approach, however, ignores the fact that in many instances arrears pertain to the same defaulters and thus it is unlikely that these defaulters will seek to renew road licenses.

3.2.22. The Department acknowledges that the various initiatives undertaken have failed to produce the desired result and is exploring the possibility of more effective initiatives. However the Department does not have an enforcement policy or an enforcement unit within its organization structure.

3.2.23. Until an enforcement unit is operating the LTD is considered not to be in a position to ensure that all vehicles on

²³ Source: Letter from Director Traffic to Auditor General dated 10 January 2000.

Maltese Roads are road licensed. The fact that the Department is performing minimal enforcement, increases the risk that road licenses increasingly fall in arrears and become statute-barred. The increasing monies owed to the Department is indicative of the risks associated with this situation.

3.3. Operations of the Transfers and Conversions Section

Transfers and Conversions

3.3.1. The principal function of the Transfers and Conversions Section is to process transfers of ownership relating to vehicles and to process vehicle conversions - that is changing the vehicle from one category to another (a self drive vehicle to a private vehicle). This Section also records changes to vehicle features, such as change of vehicle engine or colour. Although these services do not generate any revenue to the Government, the recording of changes in vehicle ownership and vehicle features are necessary for regulatory and investigative purposes. The services provided by the Transfers and Conversions Section consist of the following:

- Transfers of motor vehicles between parties;
- Road License Renewal following the transfer of a vehicle;
- Engine changes;
- Changes of number plates;
- Conversions (e.g. self drive into private class);
- Permission for a tow bar onto a motor vehicle;
- Re issue of log books;
- Affidavits in case of missing or lost documents (such as lost log books);
- Appointments for customers with Police inspector re conversions;

- Exported vehicles documentation; and
- Garaged cars.

3.3.2. Vehicle owners are required to notify the Licensing and Testing Department of Vehicle Transfers and/or Conversions. Procedures to effect a vehicle transfer and/or conversion were streamlined by adopting the one-stop-shop concept in 1999. During 2000, this Section issued 53,994 transfer of ownership and conversion certificates²⁴. The Transfers and Conversions Section employs twelve members of staff, which are under the management of an Assistant Director.

3.3.3. The National Audit Office sought to establish the rate at which customers were unable to receive services through the Transfers and Renewals Section. Out of the 895 customers calling personally at the Section during January 2001²⁵, the National Audit Office randomly sampled 329 clients.

3.3.4. The National Audit Office observed that 71 out of the 329 randomly sampled customers (21.6 per cent) requesting the services of the Transfers and Conversions Section could not be served.

3.3.5. Chart 6 overleaf illustrates the distribution of these 71 cases by services requested.

3.3.6. Chart 6 raises the following concerns:

(a) *Transfers*: 42 out of the 329 transactions (12.8 per cent), which could not be processed, related to transfer of Vehicle Ownership. The main reasons which led to this situation are as follows:

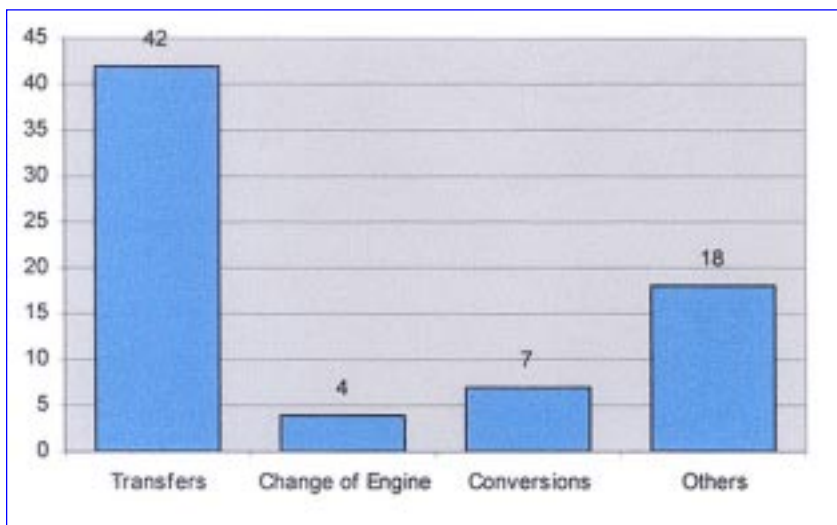
- Missing documents (missing ID cards etc.);

²⁴ 30,194 Transfer Certificates and 23,800 Conversion Certificates were issued during 2000.

²⁵ For the purpose of this exercise, a survey was held over a period of 8 working days, spread over 2 working days per week during January 2001.

- A valid VRT certificate was not presented;
- Missing signatures of one of the parties involved in the vehicle transfer or of the person witnessing the vehicle transfer between the parties;
- Missing rubber stamps on log books;
- Requirements of hire purchase cancellations;
- Legalistic problems relating to transfer by inheritance; and
- Insurance related problems.

Chart 6 - Breakdown of unprocessed services by the Transfers and Conversions Section



3.3.7. Such a state of affairs is indicative that customers are not aware of the vehicle ownership transfer procedures. The Quality Service Charter (QSC) issued by the LTD explains clearly the Transfer of vehicle procedures. Customers should ascertain that there are no restrictions indicated on the log-book impeding the transfer of ownership. Furthermore the transfer

must be signed and endorsed by a witness and forwarded to LTD within seven days from the date of transfer. Moreover the QSC indicates that for a transfer to be effected a valid certificate of insurance in the buyer's name on the date of sale must be presented.

(b) In 29 out of the sample of 329 (8.81 per cent) customers lacked documentation prohibiting the processing of change of engine conversions and other related services. A lack of knowledge of LTD procedures by customers, was the main contributory of such a situation. In most cases missing documentation related to the following:

- Missing engine numbers;
- Engine capacity ;
- Engine type;
- Need to do VRT;
- Stolen vehicle reports; and
- Car details problems.

Enforcement

3.3.8. The main responsibilities of the Transfers and Conversions Section are to update the Department's records when changes to any aspect of the vehicle occur. The Motor Vehicle Regulations Act of 1994 places the burden on the vehicle owner to inform the Department of changes of vehicle owner or features.

3.3.9. The only enforcement action undertaken by the Department relates to the following up of information relating to vehicle features acquired through the VRT process.

Part 4: Customer Care

4.1. Introduction

4.1.1. This section of the report reviews customer care issues relating to services provided to clients calling personally at the Licensing and Testing Department to renew road licenses and to effect vehicle transfers and conversions. In this context, customer care relates to whether customers calling personally at the Department were served within a reasonable period of time. This section also analyses issues relating to counter-clerk productivity when providing services to clients calling personally at the LTD.

4.1.2. This section will evaluate the level of service provided by the Department as well as whether the LTD was utilising the human resources available in an optimal manner. For this purpose, the Queuing Theory, the body of knowledge dealing with waiting lines, was utilised. The average time a client spends in the queue (waiting line) and the average time a client spends in the system, (that is the total time that a customer spends queuing and being served) were assessed.

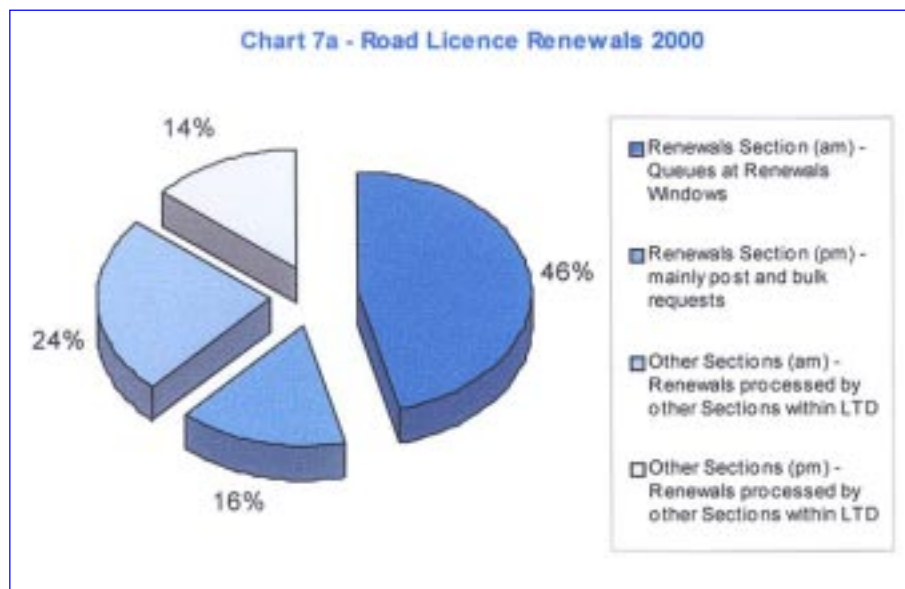
4.1.3. A Quality Service Charter²⁶ (QSC) was issued by LTD to inform clients of the main services provided by the Driving License Section and the Vehicle Registration Section. The QSC also outlines the standards of service to be achieved by LTD. The QSC was however withdrawn from public areas within the LTD and is only available on request and does not provide benchmarks relating to queuing time. Consequently, in the absence of such benchmarks, the NAO was not in a position to compare its survey results with QSC standards.

²⁶ The QSC was issued in May 1999, before the introduction of the Vehicle Roadworthiness Test and Traffic Fines validations.

4.2. NAO Survey

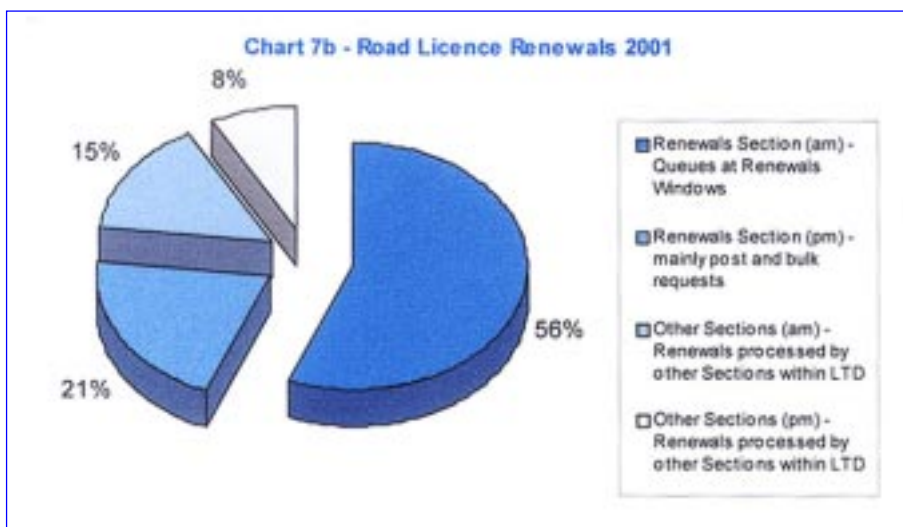
4.2.1. The Renewals Section at the Licensing and Testing Department had no records available relating to customer care apart from a survey carried out in 1995²⁷. In the absence of such documentation, the NAO collated the necessary information in order to study queues at the Renewals Section of the LTD to establish whether customers were served within a reasonable period. Charts 7a and 7b indicate that clients who opted to renew their licenses by calling personally and queuing at the serving windows of the Renewals Section of the LTD amounted to 46 per cent and 56 per cent of total road license renewals processed during 2000 and 2001 respectively.

Charts 7a and 7b – Incidence of ‘Renewal’ Licenses processed by the Renewals Section and Other Sections at the LTD during 2000 and 2001²⁸



Source: MITTS Ltd.

²⁷ Customer Care Survey performed by the former Management Systems Unit in 1995.
²⁸ As at end of November 2001.



Source: MITTS Ltd.

Notes to charts 7a and 7b:

- i. During the morning session, that is from 0800 hours and 1200 hours, the Renewals Section generally processed licenses in respect of people calling personally at the Department (queues at the Renewal Section windows). During 2000, in the morning session, staff at the Renewals Section processed 88,970 of the 195,577 (46 per cent) 'Renewals' processed by the Department. During 2001, in the morning session, the Renewals Section processed 99,407 of the 174,619 (56 per cent) of total 'Renewals' processed by LTD. The increase in the processing of road licenses by the Renewals Section is attributed to an increase in staff.
- ii. During the afternoon session, the Department is not open for customers. In this period, the Renewals Section generally processes 'Renewals' received at the Department either through the mail or clients depositing documentation in respect of a number of licenses (bulk system). During 2000, in the afternoon session, staff employed at the Renewals Section processed 32,122 (16 per cent) of the total 'Renewals'. During 2001, an increase in staff enabled the Renewals Section to process 35,919 (21 per cent) out of the total road license renewals processed by the Department.

- iii. During the morning, most staff at the LTD provides various services to clients calling personally at the Department. Other Sections at LTD, in accordance with the one-stop-shop concept adopted by the Department, process a substantial number of road license renewals together with other services requested by clients. During 2000, in the morning session, other Sections processed 46,800 out of 195,577 road license renewals (24 per cent). During 2001, in the morning session, Other Sections processed 25,641 out of a total of 174,619 road licenses renewals processed by the Department (15 per cent).

- iv. Other Sections at the LTD, during the afternoon session, contribute towards the processing of road license renewals in accordance to circumstances, such as abnormal or backlog of renewal requests received through the mail or bulk system. During 2000, in the afternoon session, Other Sections at the LTD processed 27,685 out of a total of 195,577 road licence renewals (14 per cent). During 2001, in the afternoon session, Other Sections processed 13,652 out of a total of 174,619 road license renewals.

4.2.2. Ten days in January 2001 (every Monday and Tuesday of the month) were chosen by this Office to analyse the behaviour patterns of the clients calling personally at the Department as well as counter-clerks providing the service. Data collected by the NAO included the arrival rate of customers, the average time taken by the counter clerks to serve clients as well as the time spent by clients waiting in the system - that is waiting in the queue and served by counter clerks.

4.2.3. The service times by the counter-clerks were based on a sample of 680 clients. The arrival rates of clients were determined by registering all the clients entering the system²⁹. Clients who left the waiting line before being served were eliminated. The service times and the clients' time in the system were determined by taking manual timings.

²⁹ Source: NAO Working Paper.

4.2.4. These data were critical for determining the average rate of arrival, the average rate of providing the service, the probability of the system being idle, the average number of customers in the queue and in the system (that is total time that a customer spends waiting in the queue and being served)³⁰.

4.2.5. The NAO survey at the Renewals and Transfers and Conversions Section were based on the following assumptions:

- Operations at the above Sections were considered to be in a stable operation mode from opening time;
- Clients were served on a first come first served basis;
- Service time of clients by counter-clerks was based on the average time emanating from the NAO samples;
- Each client calling personally at the Renewals Section requested an average of 1.2 road license renewals³¹; and
- Each client calling personally at the Transfers and Conversions Section requested an average of 1.9 services provided by this Section.³²

4.3. Renewals Section

4.3.1. The Renewals Section serves its customers who call personally at the LTD for four hours daily, Monday to Friday. This Section consists of 12 employees³³. A staff member is responsible for the supervision of the section and 11 staff members performing counter duties, i.e. they collect revenue due, issue relevant receipt (Vehicle Road License) and make the necessary updates in the computer records (VERA system). Counter clerks are deployed to serve customers calling personally at the LTD according to demand. Staff not assigned on the latter function renews licenses received by mail.

³⁰ The queuing multiple channel model was selected for this exercise.

³¹ Source: NAO Working Paper.

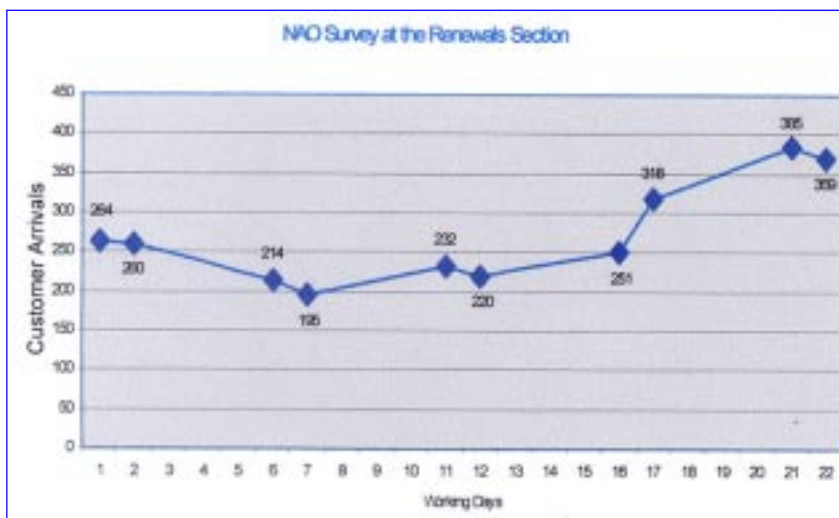
³² Source: NAO Working Paper.

³³ Source: Vide Chart 1 in Part 1.

Clients Arrival Rate

4.3.2. A study on the behaviour of customers' arrival rates was based on customer arrivals on the days sampled by the NAO (as discussed in paragraph 4.2.2). Chart 8 indicates the number of customer arrivals on the days of the NAO survey.

Chart 8 - Arrival Rate of Customers at the Renewals Section



Source: NAO Working Paper.

4.3.3. Chart 8 illustrates that the trend of customer arrivals as established through the NAO survey is very similar to the trend of customer arrivals of the renewals section during the year 2000. A trough in the curve is noticeable around the middle of the month indicating a decline the demand for the service.

4.3.4. It has to be pointed out that the service given at Renewals Section windows during the morning sessions when customer calling personally to renew road licences covered only 46 and 56 per cent in 2000 and 2001 respectively of total licenses renewed by the department.

4.3.5. During the second half of the month, the total number of visitors made up 57 per cent of the total visitors calling at

the Renewals Section on the surveyed days³⁴. During this period the maximum number of clients reached to 385 daily. During the latter part of this period, a rush on the Renewals Section resulted.

4.3.6. The end result of people insisting to call personally at the Department to renew road licenses very near their due date, at the end of the month, means longer queues during certain periods of the day, an imbalance in the Renewals Section (i.e. peak and lean period) and elements of customer care such as counter clerk courtesy, approachability, responsiveness are potentially diminished.

4.3.7. Cash flow problems also contribute to an increase in clients renewing their vehicle license towards the end of the month. Some clients may be financially constrained to await their monthly salary prior to affecting payment³⁵. Cashflow constraints also influence the timings when companies involved in the transport industry, such as a car rental firms, effect road license payments.

Bottleneck created by Customers

4.3.8. The NAO sample showed that the number of renewals requested per person also impacted serving time and consequently customer queuing time. Departmental policy stipulates that a customer may request up to three road license renewals when calling personally at the LTD. Table 6 provides a breakdown of the number of licenses requested by the 680 customers timed through the NAO sample.

4.3.9. Table 6 raises the following issues:

- 45 out of 680 (6.62 per cent) of the customers sampled requested more than three road license renewals.

³⁴ Source: NAO Working Paper.

³⁵ Source: LTD survey performed by the former Management Systems Unit (1995).

Table 6 - Breakdown of Road License Renewals Requested by Customers at the Renewals Section

No. of Licenses	No. of Persons	Total Time	Average Time to Serve Client
0	32	1:56:29	0:03:38
1	513	14:15:14	0:04:28
2	67	9:45:38	0:08:44
3	23	5:16:24	0:13:45
4	17	2:56:03	0:10:21
5	7	1:50:59	0:15:51
6	5	1:02:46	0:12:33
7	4	1:10:37	0:17:39
8	2	0:42:04	0:21:02
9	3	1:01:19	0:20:26
10	3	1:21:11	0:27:04
13	2	0:52:43	0:26:21
17	1	0:45:05	0:45:05
20	1	0:52:02	0:52:02
	680	67:48:34	0:05:59

Source: NAO Working Paper.

- The practice where customers requesting more than three renewals was against the policy of the Department of not accepting more than 3 renewals per client. Consequently serving time was effected³⁶ to the detriment of clients waiting in the queue to be served.

Counter Clerks (Servers) Workload

4.3.10. Customer care, particularly queuing time, is also dependant on the number of counter clerks (servers) servings the clients. In this audit the multiple-channel waiting line model was applied.

4.3.11. Efficient queuing system promotes a balance between arrival rates and units of servers / counter clerks. Unless such a

³⁶ Clients with more than 3 renewals generally called at the Department during the beginning and the middle of the month.

balance is attained, a situation develops where either counter-clerks are not fully employed or the queue grows indefinitely since an insufficient number of counter-clerks are employed.

4.3.12. During the NAO survey, the LTD deployed regularly between seven and eight counter-clerks of the twelve available. Reasons cited by the Renewals Section personnel to justify such deployment related to vacation or sick leave availed off by the remaining employees or employees processing road license renewals received through the mail or left by clients at the Renewals counter.

4.3.13. Table 7 highlights the number of counter-clerks employed by the LTD and the number of customers served when calling personally at the Renewals Section to renew their licenses during the surveyed days.

Table 7 - Average Customers Served per day (4 hrs.) per counter clerk at the Renewals Section

Date Surveyed (Jan 2001)	Customers (No.)	Servers (No.)	Average No. of Customers served per day (4 hrs) per counter clerk
2	264	8	33.00
3	260	8	32.50
9	214	7	38.67
10	195	8	24.38
16	232	7	33.14
17	220	7	31.43
23	251	8	31.38
24	318	8	39.75
30	385	8	48.13
31	369	8	46.13

Source: NAO Working Paper.

4.3.14. During the NAO Survey:

- During the 30th and 31st January 2001, the eight counter clerks were not sufficient to serve all the customers queuing

before the 12 o'clock closing time. Consequently, the counter-clerks remained at the serving windows until all clients waiting in the queue were served.

- The actual number of servers stood between seven to eight servers irrespective of the flow of arrivals. The load on servers, on average, ranged from 24 to 48 clients per day.

Serving Times

4.3.15. On the days of the survey, in January 2001, the NAO sought to establish the average time taken by a counter-clerk to serve a customer. For the purpose of this exercise, the number of road licenses renewals requested by the customer was not taken into consideration since the focus of the exercise was customer queuing time. It is to be noted that LTD policy dictates that customers calling personally at the Renewals Section can only request to process a maximum of three road license renewals. This policy, however, was not always adhered to³⁷.

4.3.16. The average serving time was established by averaging 680 random timings of clients. The average client serving time worked out at 6 minutes.

4.3.17. The average time taken, six minutes, to serve a customer seeking to renew a road license/s is influenced by issues arising from pending traffic fines procedures. The impact on the renewals process created due to these factors has already been discussed in Part 3 of this Report³⁸.

Customers Waiting in the Queue System

4.3.18. The flow of customers and customer serving time at the Renewals Section during January 2001 had a direct bearing

³⁷ Vide Para. 4.3.8.

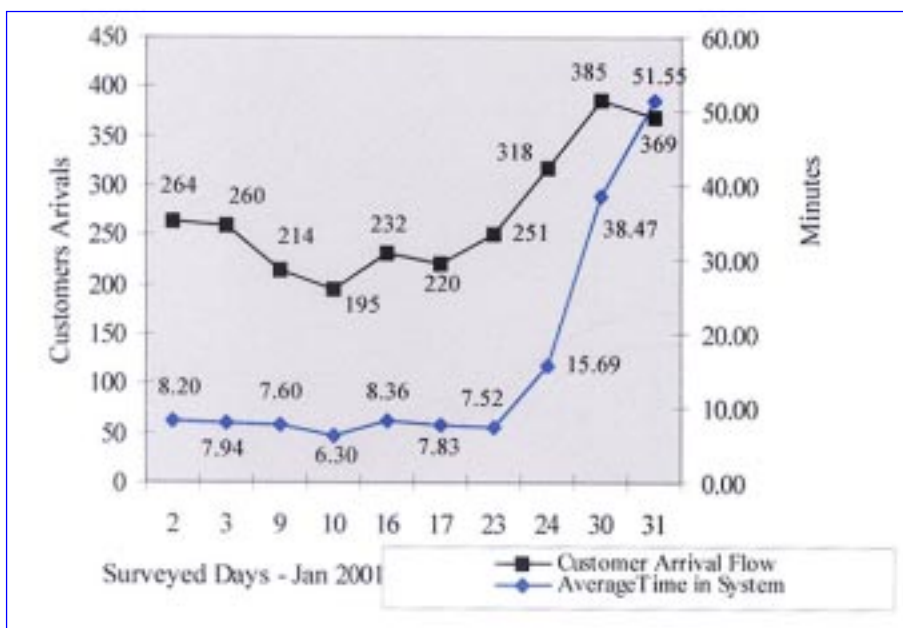
³⁸ Vide Para. 3.2.15.

on customer queuing time. Chart 9, below, provides information by considering daily customer flow and the total time customers spent at the Renewals Section. The total time customers spent at this Section is made up of the average queuing time and an average of six minutes serving time by counter-clerks.

4.3.19. Chart 9 raises the following issues:

- Although the Department’s Quality Service Charter does not provide a standard regarding customer queuing time, it is felt that queuing time only reached unacceptable levels³⁹ during the last days of the survey - which happened to be the last days for renewing road licenses due in January 2001.
- The fluctuations in customer average time in the system, ranging from such 6.3 minutes to 51.55 minutes.

Chart 9 – Relationship between Customer Arrival Flow and Time Customers Spent at the Renewals Section



Source: NAO Working Paper.

³⁹ In the absence of departmental service time standards, NAO considers that unacceptable levels relate to queuing and service time in excess of 30 minutes.

Counter-Clerk Productivity

4.3.20. The NAO sought to establish the productivity levels of counter-clerks employed at the Renewals Section when providing services to customers who called personally at the Department, that is, between 08.00 hours and noon. The determination of productivity levels enabled NAO to assess whether the Renewals, during this particular period, was operating at acceptable levels of efficiency.

4.3.21. On the basis of the information collated by the NAO, namely customer arrival rates and average time taken to serve a customer, the average time where counter-clerks were rendered “idle” by waiting at their window for customers to request their services was determined. The results for the sampled days are given in Table 8.

Table 8 – Resultant idle time through server waiting for customers at the Renewals Section

Jan 2001	Average No. of servers utilised	Arrival Rate	Counter clerk time available at 4 hrs. daily ⁴⁰	Total time taken to service clients at an average of 6 mins. per client (counter clerk hrs.)	Time spent waiting for clients (counter clerk hrs.)	Time spent waiting for clients (percentage)
2	8	264	32	26.4	5.6	17.50
3	8	260	32	26.0	6.0	18.75
9	7	214	28	21.4	6.6	23.57
10	8	195	32	19.5	12.5	39.06
16	7	232	24	23.2	0.8	3.33
17	7	220	28	22.0	6.0	21.43
23	8	251	32	25.1	6.9	21.56
24	8	318	32	31.8	0.2	0.62
30	8	385	38.5	38.5	0.0	0.0
31	8	369	36.9	36.9	0.0	0.0
	77	2708	315.4	270.8	44.6	14.14

Source: NAO Working Paper.

⁴⁰ Since the queue was unsustainable during 30 and 31 January, time spent by counter-clerks after 12 p.m. to serve remaining customers, i.e. 6.5 and 4.9 counter-clerk hours, were added to the routine time available for counter-clerks.

4.3.22. The Average percentage time spent by counter-clerks waiting for customers ranged from 0 per cent at the end of the month when the rate of flow of customers soared to 39 per cent near the middle of the month when the flow was at its lowest.

4.3.23. Table 8 is indicative of the abnormal workload at the end of the month and the relatively low demand by clients during mid-month which led to low counter clerk utilisation rates.

4.4. Transfers and Conversions Section

4.4.1. The Transfers and Conversions Section is responsible for maintaining up to date records relating to vehicle owners and vehicle features following transfers and conversions to vehicles. For this purpose, vehicle owners are obliged to inform the LTD of any such changes to enable the LTD to update their vehicle database.

4.4.2. The processing of a vehicle transfer entails that counter-clerks update the Department's database with information provided through official documentation by the parties involved in the vehicle transfer. A 'Conversion' to vehicle record is performed when a vehicle's category is changed, such as from a self-drive to a private class. This Section is also responsible for the updating of the Department's database regarding changes to vehicles' features, such as change of engine, colour etc.). Changes to the database are made only against information provided by vehicle owners through official documentation. The Department does not charge a fee for any of the services mentioned herein. This Section also performs road license renewals as a complimentary service when processing transactions related to Transfers and Conversions. During 2000, this Unit effected 30,194 transfer of owner transactions, 23,860 vehicle conversions.⁴¹

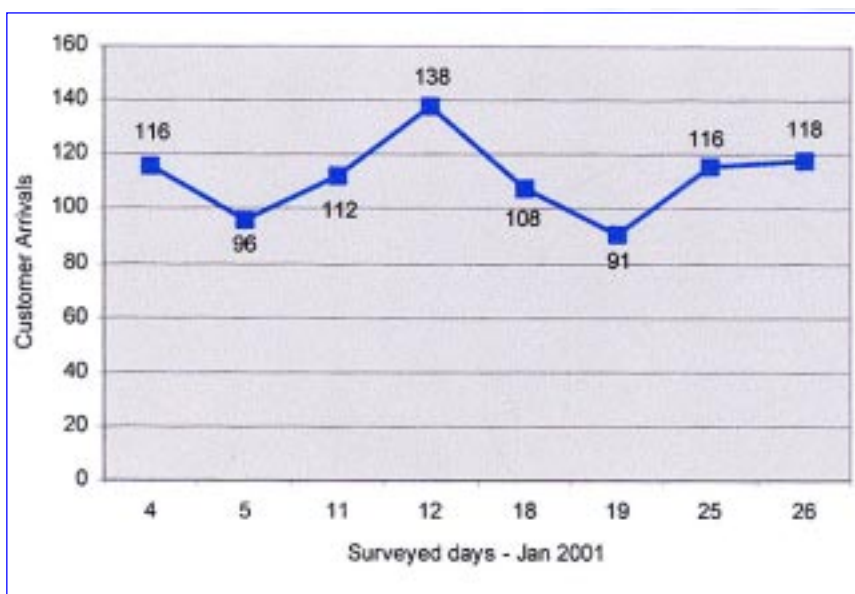
⁴¹ Source: Licensing and Testing Department.

4.4.3. The Transfers and Conversions Section serves customers who call personally at the Department for four hours daily, on a Monday to Friday basis. The Section is made up of twelve staff. Generally, six staff members perform counter duties including electronic processing of documentation relating to transfers and conversions. The remaining staff performs back office duties, such as filing official documentation.

Clients Arrival Rate

4.4.4. The Department does not maintain records relating to the number of people calling personally at the Department. The NAO established clients arrival rate at this Section through information collated on eight days, each Thursday and Friday during January 2001. During these days, 895 customers visited this Section – Chart 10 refers.

Chart 10 – Arrival Rate of Customers at the Transfers and Conversions Section



4.4.5. The average client arrival rate during the days of the survey is being assumed to be 112 per day. The client arrival

rate at the Transfers and Conversions Section are not subject to any due dates.

Counter-Clerks (Servers) Workload

4.4.6. The total time that customers spend at the Transfers and Conversions Section is dependant on the number of counter-clerks providing the service. The various services offered by this Section⁴², are provided through the one stop shop concept, that is, all the administrative work and complementary services related to a customer request at this section are provided through the same counter-clerk from the same service-window.

4.4.7. In order to provide an acceptable service to customers and also be cost efficient, the LTD has to allocate an adequate number of counter-clerks to counterbalance the flow of customer arrivals. During the time customers called personally at this Section, NAO observed that on the sampled days, generally six of the twelve members of staff employed in this Section acted as counter-clerks⁴³.

Table 9 – Average Number of Counter-Clerks during NAO

Date Surveyed (Jan 2001)	Customers (No.)	Counter Clerks (No.)	Customers Served per Counter Clerk (No.)
4	116	5	23.20
5	96	6	16.00
11	112	6	18.67
12	138	6	23.00
18	108	6	18.00
19	91	5	18.20
25	116	5	23.20
26	118	5	23.60

Source: NAO Working Paper.

⁴² Vide para. 4.4.2.

⁴³ Vide para 4.4.3.

4.4.8. Table 9 compares the number of counter-clerks employed by the LTD at the Transfers and Conversions Section during the days NAO performed its survey to the number of clients seeking services.

- No proportionality was evident between the number of counter-clerks assigned and the number of customers requesting services from this Section. Average load of counter clerks ranged from 16 customers to over 23 per day. Consequently, this resulted in inconsistent average queuing time for customers. Vide Chart 11.

Serving Times

4.4.9. The average time taken to serve a customer calling personally at the Transfers and Conversions Section, irrespective of service requested, amounted to 10.48 minutes. The average serving time was derived by the NAO through the survey held in January 2001. The average serving time was established by averaging of 329 random timings of customers requesting services from the Transfers and Conversions Section.

4.4.10. The average time taken to serve customers was influenced by the fact that some customers did not produce the necessary documentation to affect a transaction⁴⁴. Consequently, the average customer serving time increased as counter-clerks had to either explain procedures to customers or wait until the customer completed the necessary documentation at the service-window.

Customers Waiting in the Queue

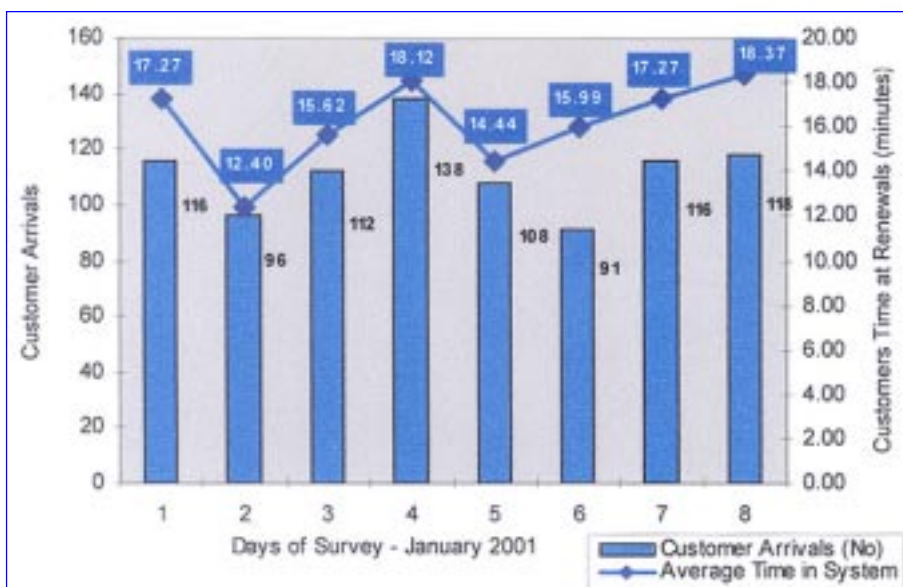
4.4.11. The LTD's Quality Service Charter does not indicate a standard time during which a customer is served

⁴⁴ Vide Para. 3.3.6.

when requesting services from the Transfers and Conversions Section. Consequently, the NAO had no benchmarks with which to compare the level of service provided.

4.4.12. The NAO established customer average queuing time by adopting the same methodology as in the Renewals Section discussed in Section 4.2. Chart 11 below compares the flow of customer arrival with the total time that customers spent at the Transfers and Conversions Section. Total time relates to the sum of queuing time and an average serving time of 10.48 minutes - see paragraph 4.4.9.

Chart 11 – Relationship between Customer Arrivals and Time spent by customers at the Transfers and Conversions Section



Source: NAO Working Paper.

4.4.13. Chart 11 indicates the following:

- Resultant trends of both the bar chart and curves are similar, that is an increase or decrease in customer arrivals generally result in an increase or decrease in the time spent by customers at the Transfers and Conversions Section.

- On average, the time spent by customers queuing and being served – which never exceeded thirty minutes, is considered as reasonable. In the absence of any benchmarks relating to the provision of service, the NAO considered that unacceptable levels relates to queuing and service time in excess of 30 minutes.

Bottlenecks created by Customers Requesting more than Three Transactions

4.4.14. The number of transactions processed per customer impacts serving time and consequently the level of the service provided. For the purpose of this exercise NAO observed 329 customers out of the total 895 calling at this Section on the survey days to establish the number of transactions requested.

Table 10 – Breakdown of Transactions requested per customer at the Transfers and Conversions Section

No. of Licenses	No. of Persons	Total Time	Average Client Timing
0	21	2:02:39	0:05:50
1	144	15:59:42	0:06:58
2	86	15:14:48	0:10:38
3	48	11:35:19	0:14:29
4	13	5:42:06	0:26:19
5	8	2:36:12	0:17:32
6	2	0:55:03	0:25:17
7	2	0:34:43	0:17:22
8	2	0:44:22	0:22:11
9	1	0:41:20	0:41:20
12	2	1:02:54	0:31:27

Source: NAO Working Paper.

- 116 out of the 329 (35 per cent) randomly sampled customers requested more than three services from counter-clerks at this Section. The requesting of up to three services is considered as normal practice within this Section. Customers requesting transfers generally always request a road license renewal (which can be also provided in such circumstances by their Section) and an additional service, such as a tow-bar permit or change of engine.
- Consequently, customers requesting more than three services inflate the average service time to the detriment of customer queuing time.
- The number of customers requesting more than three transactions was evenly distributed throughout the days of the NAO survey.
- Table 10 indicates that the average processing time per transaction generally declined as the number of transactions requested by a customer increased. Such a phenomenon may be due to economies of scale. In addition, counter-clerk may be motivated to be more efficient in instances where a client requests a number of transactions so that other customers would not have to wait for longer periods in the queue awaiting service.

Counter-Clerk Productivity

4.4.15. The NAO sought to establish and evaluate the activity levels of counter-clerks employed at the Transfers and Conversions Section during the period when customers called personally at the Department to request services, that is between 08.00 hours and 12.00 hours.

4.4.16. For this purpose, the NAO, utilised average customer arrival rates and average time taken to serve a customer to determine the average time spent by counter-clerks waiting (“idle”) at their window for customers to request their service. Customer serving time was considered to be 10.48 minutes per customer.

Table 11 – Resultant “idle” time through server waiting for customers at the Transfers and Conversions Section

Date surveyed (Jan 2001)	Average no. of Counter Clerks utilised	Customer Arrivals (No.)	Counter Clerk time available at 4 hrs. daily ⁴⁵	Total time taken to service customers at an average of 10.48 mins. per client (hours)	Time spent waiting for clients (Counter Clerk hrs.)	Time spent waiting for clients (%)
4	5	116	20.26	20.26	0	0
5	6	96	24	16.77	7.23	30
11	6	112	24	19.56	4.44	18
12	6	138	24	24.00	0	0
18	6	108	24	18.86	5.14	21
19	5	91	20	15.89	4.11	20
25	5	116	21.31	20.26	0	0
26	5	118	23.05	20.61	0	0
Total	44	895	180.62	156.21	20.92	11.6

Source: NAO Working Paper.

4.4.17. Throughout the sampled days, the counter-clerks spent 89% of their time at the counter serving customers. This level of activity is considered to be high.

4.4.18. In cases, however, excess average time amounted to over 20 per cent and in one instance to over 30 per cent. This

⁴⁵ Since the queue was instable during 4, 25 and 26 January, time spent by counter-clerks after 12 p.m. to serve remaining customers, i.e. 0.2613, 1.306 and 3.053 counter-clerk hours, were added to the routine time available for counter-clerks.

level of excess time denoted in Table 11 is considered favourable since the excess time emanated from a number of short periods spread throughout the mornings when counter-clerks were waiting for clients to request their services.

4.4.19. The situation at the Transfers and Conversions Section was considered as satisfactory despite the lack of service time benchmarks, customers are on average being served within less than thirty minutes.

Part 5: Financial Issues

5.1. Introduction

5.1.1. This section discusses issues relating to revenue collection emanating from road license renewals and seeks to evaluate the effectiveness of the enforcement action taken by the LTD to ensure the timely collection of revenue due to Government.

5.1.2. The NAO also sought to establish the costs of the various services provided by the Renewals Section and the Transfers and Conversions Section, however this was not possible since the Department lacks information re:

- Costs incurred in respect of the vehicle road license renewal and transfers and conversions processes;
- Costings for each particular operation / activity carried at LTD related to the above mentioned processes;
- Employee work distribution, which could have identified tasks carried by each individual or groups of employees;
- Capital expenditure and asset value.

5.1.3. As a consequence of the above the LTD was not able to gauge and monitor the cost efficiency of LTD operations under audit. This lack of information restricts LTD from reaching optimal strategic decisions.

5.2. Road License Renewals Revenue

5.2.1. During 2000, the renewal section collected Lm10,597,283 in respect of 276,692 road licenses. Road license renewals revenue amounts to circa 30 per cent of the total revenue collected for the year by the Department⁴⁶.

⁴⁶ Vide Para. 1.5.1.

Dishonoured Cheques

5.2.2. During 2000, Lm232,866 worth of cheques received by the Licensing and Testing Department in respect of the various services offered were referred back to the Department by the Central Bank of Malta since they were dishonoured. Out of this total, as at end 1st March 2001, Lm 31,851 had not yet been recouped. The Department did not reverse (cancel) transactions related to these dishonoured cheques. Consequently, the Department's list of outstanding claims (Return of Arrears of Revenue) was not updated accordingly.

5.2.3. The Licensing and Testing Department could not quantify the amount due from the above-mentioned sum in respect of road license renewals. Such a state of affairs results since the Department did not classify dishonoured cheques by the relevant revenue head. Even if the dishonoured cheques pertained to vehicle registrations, such vehicles would still not be eligible to be on the road, or to be issued with a road license.

5.2.4. It is to be pointed out that the Department has taken the necessary action to recoup the outstanding amounts in question.

Arrears of Revenue

5.2.5. LTD records showed that as at end December 2000, the Department was owed over Lm3.5 million in respect of outstanding vehicle road licenses.

5.2.6. The General Financial Regulations, 1966, define arrears of revenue as all amounts due for collection on 31 December but remaining unpaid up to the end of the following January. However, the Licensing and Testing Department considered that a road license was in arrears when it had not been paid by its due date. Over the

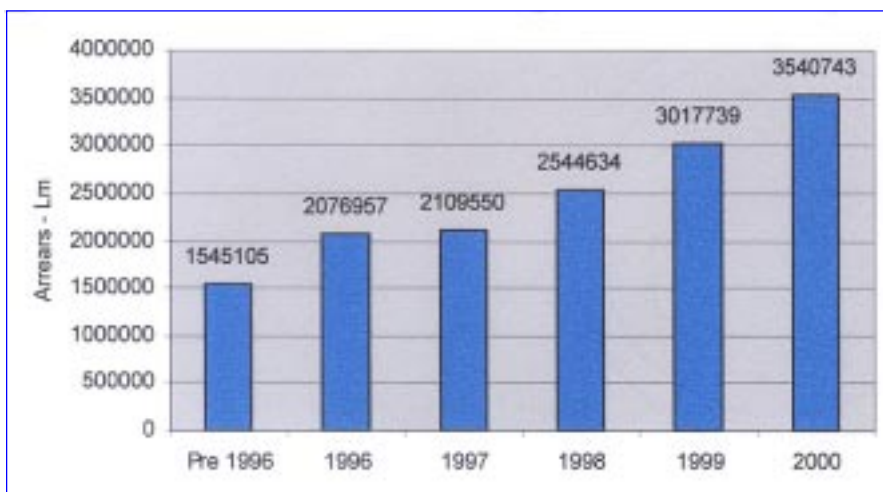
years, the LTD has reported vehicle road license arrears on the basis of this latter definition, which does not comply to the provisions of the General Financial Regulations, 1966.

5.2.7. During the course of this audit, the LTD took corrective action to rectify the situation discussed in the preceding paragraph. Figures relating to arrears of revenue quoted in this section of the report are in accordance with definition quoted by the General Financial Regulations, 1966.

Consequently, amounts being quoted in this report differ from previous audit reports published by this Office⁴⁷.

5.2.8. As at end December 2000, the balance of arrears of revenue due to the Department amounted to Lm3,540,743. Chart 12 illustrates arrears of revenue in respect of road license renewals accumulated over the last years.

Chart 12 – Change in Arrears Level Over Time



Source: Licensing and Testing Department.

- The Department contends that Lm2.4 million (67%) of the total arrears due in 2000 are considered by the Department as statute-barred.

⁴⁷ For the purpose of this report, the NAO has only verified arrears of revenue statements submitted by the Department pertaining to year 2000.

- The amount of Lm1,545,105 (43%) represents arrears accumulated during period 1979 – 1995 in respect of vehicles whose number plates have not been changed with the new registration plates in 1995. The Department contends that such vehicles are not on the road, however, departmental records do not confirm such an assumption⁴⁸.
- During the period 1995 – 1998, a further amount of Lm854,752 (24%) worth of arrears was also accrued in respect of vehicles with old number plates. Although such vehicles may not be on the road, the road license fee remain due since the Department has not received the vehicle number plates as a confirmation that such vehicles are no longer on the road. Departmental efforts to recoup these arrears (that is, Lm1,545,105 and Lm854,752) proved futile. Consequently, such dues are now considered to be statute barred and the Department has initiated writing-off procedures to these amounts.
- The amount of road license revenue falling into arrears increased more than two fold between 1995 and 2000. Such a situation is mainly due to lack of enforcement by the Department to recover arrears (vide paragraph 3.2.23). In addition, the significant increase of road license fees was also a contributory factor to the increase in arrears of revenue accrued.
- The Department was not in possession of an updated debtors list regarding the pre-1996 arrears. Such a situation occurs since such records were not computerized and are maintained in manual registers. In order to update this list, the Department would have to undergo a laborious and time-consuming exercise. However, it is to be pointed out that the benefit of such laborious process may be limited since revenue due may have been rendered statute-barred.

⁴⁸ Letter from Director Traffic to Auditor General dated 10 January 2000 (NAO 100/00/45).

**Table 12 – Breakdown of Arrears of Revenue Accrued
as at 2000⁴⁹**

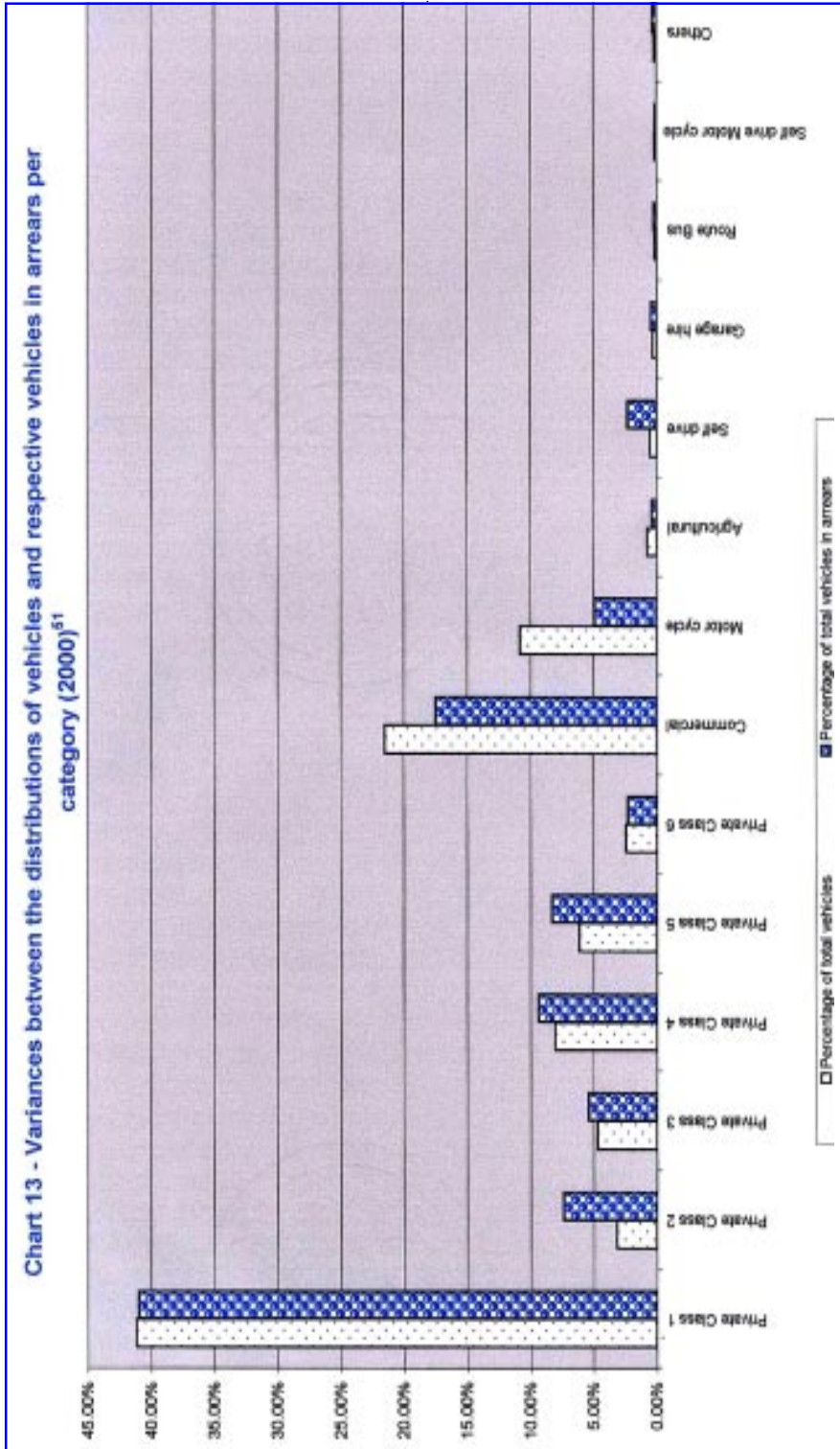
Category	No. of Vehicles	% of Total Vehicles in Arrears	Arrears (Lm)	% of Total Arrears
Private Class 1	9,130	41.13	679,074	34.03
Commercial	4,773	21.50	438,110	21.95
Private Class 5	1,363	6.14	203,527	10.20
Private Class 6	546	2.46	175,000	8.77
Private Class 4	1,784	8.04	172,171	8.63
Motor Cycle	2,401	10.82	131,122	6.57
Private Class 3	1,038	4.68	100,719	5.05
Private Class 2	707	3.19	54,885	2.75
Self Drive	116	0.52	18,720	0.94
Coach	15	0.07	10,400	0.52
Garage Hire	62	0.28	5,584	0.28
Agricultural	170	0.77	1,565	0.08
Minibus	13	0.06	1,450	0.07
Self-Drive Motor-Cycle	30	0.14	1,360	0.07
Route Bus	34	0.15	970	0.05
Others	8	0.04	931	0.05
Taxi	7	0.03	50	0.00
Total	22,197	100.00	1,995,638	100.00

Source: Mitts Ltd.

- During 2000, Lm844,685 in arrears of revenue were newly accrued. According to LTD records 22,197 vehicles did not renew relative road licenses for year 2000.
- Generally no significant variances were observed between the distribution of vehicles and respective arrears per each category. Consequently it can be concluded that the vehicle category did not influence whether a vehicle road license was renewed or not⁵⁰. Chart 13 refers.

⁴⁹ Exclude Lm1,545,105 pre-1996 arrears of revenue.

⁵⁰ Source: NAO Working Papers.



⁵¹ Excluding pre-1996 arrears of revenue.

- LTD records show that as at end December 2000, the Department was owed over Lm3.5 million in respect of outstanding road license fees. The Department contends that Lm2.4 million (67 per cent) are statute barred. In addition, the ratio of total arrears to revenue generated in respect of road license fees has increased from 9.36 per cent in 1996 to 18.83 per cent in 2000. For the purpose of this exercise, Lm1,545,105 have been excluded from the total of amount dues for the years under review since the Department has already initiated writing-off procedures. Table 13 refers.

Table 13 – Ratio of amounts due to revenue generated in respect of Road License Renewals

Year	Revenue	Arrears	%
1996	5,680,191	531,852	9.36
1997	6,989,498	564,445	8.08
1998	9,604,214	999,529	10.41
1999	10,186,259	1,472,634	14.46
2000	10,597,283	1,995,638	18.83

- Enforcement action, such as notifying defaulters, to recoup these arrears does not seem to be a priority for LTD. However, the Department is also hindered from performing effective debtors' management since its accounts section does not possess the required manpower.

Part 6: Conclusions

6.1.1. The increasing number of vehicles on Maltese roads renders the role of the Licensing and Testing Department more critical. The maintenance of vehicle databases facilitates law enforcement and consequently road safety. Moreover, the collection of revenue in respect of the various licenses issued by the Department, Lm35,231,766 amounted to 6 per cent of Government's total recurrent revenue during 2000. LTD is also responsible to provide an efficient service to the thousands of clients who request the services of this Department.

6.1.2. This audit focused on the operations and quality of service provided by the Road Licence Renewals Section and the Transfers and Conversions Section. Both of these Sections contribute towards the maintenance of vehicle records. In addition, during 2000, revenue generated through road license fees amounted to over Lm10 million.

6.1.3. The computerisation of the Department, in 1995, marked a significant improvement in vehicle record keeping. However, the change over from manual to electronic records, led to data integrity problems since a data validation exercise to confirm the accurate transfer of data was not performed.

6.1.4. A survey on the accuracy of data held at LTD was carried out. '*Critical fields*', that is information relating to vehicle owner particulars and vehicle features utilized for investigative and enforcement purposes, were targeted. Eleven critical fields in 316 computerised files were matched to the relative information in manual files. Total number of fields surveyed for matches/mismatches amounted to 3,476. The survey revealed that in 6.19 per cent (215 instances) these fields did not reconcile. A significant number of these mismatches related to vehicles registered before the introduction of the computerised system that is prior to 1995.

6.1.5. The Department has embarked on action to update its records through new data generated through the Vehicle Road Worthiness Test. Data being collected by VRT testing stations, also confirmed the data integrity concerns highlighted in this report. From a total of 5,566 fields surveyed by VRT testing stations, 310 discrepancies (5.57 per cent) were noted between the vehicle log book (generated through the VERA System) and the physical vehicle features. Most of these discrepancies related to either incomplete or blank records in the Department's database. The integrity of data held by the Department ought to improve after this update will have been completed in the near future.

6.1.6. Concerns relating to data integrity arose since internal controls relating to the VERA System are not routinely monitored. It is felt that apart from data integrity concerns, such a situation diminishes accountability as well.

6.1.7. The efficiency of the Renewals Section as well as the Transfers and Conversions Section is diminished through failure by organisations external to the Department to take prompt action vis-à-vis the removal of restrictions on the clients' road license once a pending traffic fine is settled.

6.1.8. The lack of an enforcement policy on road licence defaulters resulted in a situation where the Department performs minimal enforcement vis-à-vis its road licence renewals function as well as functions performed by the Transfers and Conversions Section. Arrears of Revenue in respect of road licenses increased by a further Lm844,685 during 2000 to a total of Lm3,540,743. Lack of enforcement does not only result in a loss of revenue to Government but it restricts the Department from objectively establishing reasons resulting in an increase of road licence defaulters and the level of arrears due.

6.1.9. Customer-Care is an important element in the provision of any service. An NAO survey highlighted that

services related to road licence renewals were considered as unacceptable during the last days of a month – that is the monthly due date for road licenses. Despite being aware of the trend that the number of customers calling personally to renew road licenses near the end of each month stretches counterclerks to the limit and queuing time is increased considerably, the Department argued that it is not in a position to ameliorate the prevailing situation.

Part 7: Recommendations

7.1. Short Term

7.1.1. The National Audit Office recommends that in the short term the Licensing and Testing Department considers the following:

- (i)** The Department in conjunction with MITTS Ltd. addresses problems related to the VERA system, in particular skipped unique reference numbers. Such action will enhance the system's security and internal controls.
- (ii)** The Department's Quality Service Charter is to be updated to include expected customer queuing times for the various services provided by the LTD. In addition, Quality Service Charters are to be made available to customers. In addition customers will be further informed of LTD procedures and documentation required when requesting services.
- (iii)** The Department of Local Councils and the Law Courts should communicate effectively with the Licensing and Testing Department to ensure that any restrictions to road license renewals are lifted immediately a pending traffic fines are settled. This will improve the LTD's efficiency and quality of service provided.
- (iv)** The Department studies the possibilities of influencing a stable and uniform demand over time for services by customers. This will avoid end of the month pressure on the Department and improves significantly the level of customer care provided.

- (v) The Department enforces its policy that customers calling personally at the LTD do not request more than three services from the same window in one visit. This will ensure that queuing time for customers is not unnecessarily extended.
- (vi) The Department establishes the cost of providing its various services. This information will enable the Department to be in a better position to take strategic decisions as well as encourage customers to utilise the most cost-efficient means (for example through the mail) to acquire services from the LTD.
- (vii) The Department is to issue reminders and follow-up defaulters who failed to renew road licenses. This will increase the Department's revenue yield, minimises the risk that revenue due to Government is rendered statute-barred as well as ensures that all vehicles on Maltese roads are duly licensed.
- (viii) The Department initiates the necessary action to write-off statute barred revenue in respect of road licenses.
- (ix) The Department follows-up immediately issues emanating from dishonoured cheques. The Department is also to reverse transactions and initiate legal proceedings unless dishonoured cheques are settled by customers within a reasonable period.

7.2. Medium and Long Term

- (x) The Department considers undergoing a re-engineering programme, which would enable each Section to carry out its full load of work without the need for sections to do each others' tasks. Such an approach will enhance management's control of operations and encourages uniform service delivery.

(xi) The Licensing and Testing Department is encouraged to evaluate other methods of issuing road licenses eliminating the need for customers to call at the Department. Options include:-

- operating through Commercial Agents (Local Councils and Insurance Agencies);
- purchase of licenses through commercial outlets;
- all licenses processed by mail.

Appendix 1

LAWS, REGULATIONS AND CONVENTIONS THAT GOVERN THE LAND TRANSPORT SECTOR IN MALTA⁵²

Main Legislation:

- * Code of Police Laws (Cap. 10)
- * Fees Ordinance (Cap. 35)
- * Traffic Regulation Ordinance (Cap. 65)
- * Motor Vehicles Insurance (Third Party Risks) Ordinance (Cap. 104)
- * Cargo Clearance and Transport Act (Cap. 203)
- * Public Transport (Regulation and Employment) Act (Cap. 214)
- * Malta Summer Time Act (Cap. 230)
- * Public Transport Authority Act (Cap. 332)
- * Environmental Protection Act (Cap. 348)
- * Motor vehicles Registration Tax Act (Cap. 368)

Subsidiary Legislation:

- * Motor Tractors Regulations, 1979
- * Environmental Protection (Preventive and Remedial Measures) Regulations, 1994
- * Motor Vehicles Regulations, 1994
- * Motor Vehicles (Wearing of Seat Belts) Regulations, 1995
- * Environment Protection (Control of Substance Depleting the Ozone Layer) Regulations, 1995
- * Deposit of Wastes and Rubble (Fees) Regulations, 1997
- * Ratification of Chemical weapons Convention, 1997

(continued...)

⁵² Malta: National Programme for the Adoption of the Acquis, Ministry of Foreign Affairs, September 2000.

- 1998
- * Summer Time Order, 1997
 - * Public Transport (Scheduled and Unscheduled Transport services) Regulations, 1997
 - * Motor Vehicle Roadworthiness Test Regulations,
 - * Motor Vehicles Registration Tax (Amendment) Act, 1999 (Cap. 368)
 - * Motor Vehicles (Tariffs of Fares) (Amendment) Regulations, 1999

Conventions:

- * Agreement between the Government of Malta and the Government of the Republic of Italy of International carriage by Roads (signed on 12 February 1987)

Other:

- * The Highway Code

Appendix 2

VEHICLE ROAD LICENCE FEES (with effect from January 1998)

Private Class 1 (0001cc to 1300cc)	Lm 30
Private Class 2 (1301cc to 1449cc)	Lm 40
Private Class 3 (1450cc to 1500cc)	Lm 40
Private Class 4 (1501cc to 1800cc)	Lm 45
Private Class 5 (1801cc to 2000cc)	Lm 75
Private Class 6 (2001cc and over)	Lm150
Commercial Vehicles	Lm 40
Motor Cycles	Lm 20
Valletta Entry Permit	Lm 20