

SAINT HELENA **AUDIT SERVICE**

REVIEW OF VEHICLE MANAGEMENT



FINAL VFM REPORT V27 September 2011

VFM audits are conducted by the Audit Service on behalf of the Public Accounts Committee, in order to determine whether St Helena Government resources have been used with proper regard to economy, efficiency and effectiveness.

CONTENTS

Executive Summary.	.	.	.	.	.	.	.	.	3
Introduction	.	.	.	.	.	.	.	.	5
Findings	.	.	.	.	.	.	.	.	5
Conclusions	.	.	.	.	.	.	.	.	14
Management Response and Action Plan.	.	.	.	.	.	.	.	.	16
Appendices:									
A.	Audit Opinion Definitions	.	.	.	.	.	.	.	29
B.	Scoping and Resourcing	.	.	.	.	.	.	.	29
C.	List of Persons Consulted	.	.	.	.	.	.	.	30

Report Distribution:

SHG Directors, Chief Secretary, Financial Secretary, Legislative Council, Public Accounts Committee, Audit Committee and HE the Governor.

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EXECUTIVE SUMMARY

This audit forms part of the Value For Money (VFM) Audit Plan for 2011/12. Vehicle management and replacement was considered as a potentially high risk area for inefficiencies. The objective of this audit was to establish whether policies and procedures have been complied with and resources have been used efficiently and effectively.

The rules and procedures for the use of vehicles are set out in the Code of Management (CoM) and Office of the Chief Secretary Circular (OCSC) 1/2008, which covers officer's responsibilities, authorised journeys, on-call duties, vehicle accidents and the hiring of vehicles from the private sector.

The Transport Division of the Infrastructure and Utilities Directorate maintains St Helena Government (SHG) vehicles and manages their replacement. The Division's strategic objectives include providing an effective and efficient hire service and monitoring the use of private sector vehicles. Planned performance and productivity improvements include vehicle replacements and eliminating long term hire of vehicles from the private sector.

The Division's budget for 2010/11 was £534k, supplemented by £134k from the Finance Directorate's budget for vehicle replacement. At 31 March 2011, 70% of vehicles and plant are more than 10 years old. Further, no funding has been included in the 2011/12 budget for vehicle replacement.

The range of possible audit opinions given for VFM is good, adequate and inadequate. Definitions of the audit opinions can be found in Appendix A to the main report. Based upon the work undertaken and the findings detailed in the body of this report, the overall opinion is given below.

VEHICLE MANAGEMENT

INADEQUATE

Management arrangements are not considered to be adequately conducive to achieving maximum VFM.

There is no vehicle replacement policy and available funding drives replacement of vehicles. The continued maintenance of aging vehicle fleet with the knowledge that maintenance costs increase over the life of the asset is inefficient use of resources. Maintenance and replacement decisions should consider the cost effectiveness of arrangements and other potential options to meet transportation needs. Replacement or continued maintenance of vehicles should only occur when it is economically justifiable. We have made three recommendations to provide for the efficient use of resources.

Management information on maintenance costs for 2010/11 is incomplete and inaccurate. This information is vital to decisions on maintenance and replacement. We have made five recommendations to improve the reliability of management information and improve efficiencies in processes.

Management arrangements for the control of fuel require improvement to minimise the financial and fraud risk. Plant hire charges should reflect full cost recovery. We have made seven recommendations to mitigate risks and seek efficiency in processes.

Records show that 70% of SHG vehicles on long term hire travel on average less than twenty five miles per day. This suggests potential for efficiency savings. We have made one recommendation in this regard.

The procedures for the use of vehicles and accident damages have not been fully complied with. We have made seven recommendations to minimise the risk of inefficient use of resources, seek efficiency in processes and promote the accountability of officers.

In addition, four recommendations have been made to improve management processes.

The assistance given by all SHG staff is acknowledged and documented in Appendix C.

1. INTRODUCTION

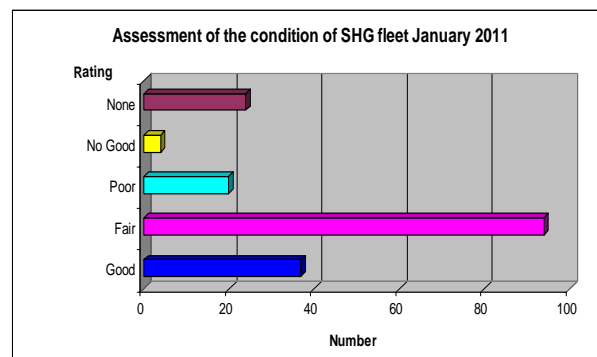
1.1 The Transport Division of the Infrastructure and Utilities Directorate maintains SHG vehicles and manages their replacement.

1.2 The rules and procedures for the use of vehicles are set out in the CoM and OCSC 1/2008. These cover officer's responsibilities, authorised journeys, on-call duties, vehicle accidents and hiring from the private sector.

1.3 The Transport Division's strategic objectives include providing an effective and efficient hire service and monitoring the use of private sector vehicles. Planned performance and productivity improvements include vehicle replacements and eliminating long term hire of vehicles from the private sector.

1.4 The Division's budget for 2010/11 was £534k, supplemented by £134k from the Finance Directorate's budget for vehicle replacement. No funding has been included in the 2011/12 budget for vehicle replacement.

1.5 In January 2011, the SHG fleet was collectively inspected by the Senior Transport Manager, Garage Manager and Foreman Mechanic. Assets were given a rating based upon physical and engine conditions. Twenty four assets were not rated, these included assets which were being replaced by the end of that financial year, assets whose engines had been replaced and cannibalised assets. The ratings are analysed in the table below.



1.6 The objective of the audit was to establish whether policies and procedures have been complied with and resources have been used efficiently and effectively.

2. FINDINGS

2.1 The findings are based upon the work undertaken and evidence gathered.

Use of SHG Vehicles

2.2 As stated the rules and procedures for the use of vehicles are set out in the CoM and OCSC 1/2008.

2.3 The circular reminds directors that it is their responsibility to ensure that only authorised journeys are being undertaken and charged to their directorate. Log books for vehicles on long-term hire to departments should be correctly filled in by the driver, reviewed by management periodically and signed as assurance that the entries are in respect of authorised journeys only.

2.4 Logbooks for fifteen vehicles from six directorates, Agriculture and Natural Resources, Education and Employment, Health and Social Welfare, Infrastructure and Utilities, Finance and Police were reviewed.

2.5 The details recorded for each journey were the date, start mileage and time, finish mileage and time, reason for journey, department and drivers signature. Only two logbooks were properly completed. Exceptions included unrecorded journeys, inaccurate mileage readings and the omission of the required details for journeys. The majority of unrecorded journeys were less than ten miles however there were a few journeys above this range.

2.6 There was evidence of management review for only five of the fifteen vehicles. Whilst there was evidence, the failure to correct omissions and obvious discrepancies calls into question the thoroughness of management reviews.

2.7 Directorates have not fully complied with the requirements in OCSC 1/2008 for the recording and review of journeys. Failure to comply with these requirements increases the risk of unauthorised journeys and wastage of resources (Recommendation 1).

2.8 As per OCSC directorates may only use vehicles for on call duties as approved by the Chief Secretary and a list of the approved employees and vehicles must be maintained and renewal sought on an annual basis.

2.9 Five directorates, Agriculture and Natural Resources, Finance, Health and Social Welfare, Infrastructure and Utilities and Police use SHG vehicles for on-call duties. However, none of the directorates were able to provide evidence of the Chief Secretary's approval for the period July 2010 to June 2011.

2.10 In the absence of documentary evidence, we have concluded that the requirements of OCSC 1/2008 for

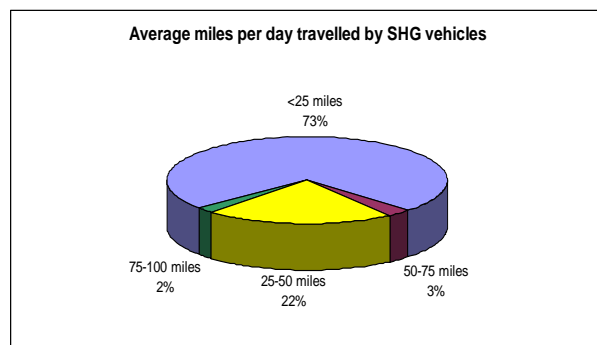
taking vehicles home for on-call duties have not been complied with. There is a risk that the use of vehicles for on-call purposes are not justified, resulting in inefficient use of resources (Recommendation 2).

2.11 The circular requires directors to submit copies of log sheets to the Financial Secretary monthly. The Finance Directorate advised that this required was abolished some time ago. We understand that the circular is currently being revised and this requirement is no longer included.

2.12 The procedures for the use of vehicles as set out in the OCSC 1/2008 have not been fully complied with. Non-compliance with procedures increases the risk of inefficient use of resources.

Long term hire of SHG and Private Sector vehicles

2.13 The use of SHG vehicles was reviewed. The chart below analyses the average distances travelled per day based upon a five day week.



2.14 Fifteen vehicles travelled on average less than ten miles per day. These vehicles include the ambulance, fire tenders, water bowser, cherry picker and motorcycles. As the majority of these vehicles are not intended for general use, the fact that

mileage travelled is low was not considered inefficient use of resources.

2.15 The majority of vehicles traveled on average less than twenty five miles per day during 2010/11. Applying an estimated speed of twenty miles per hour, the average time spent traveling is between one to two hours per day. Whilst it is acknowledged that daily use will differ in reality, the large proportion of vehicles in this category suggest that there may be potential for more efficient use of resources through e.g. sharing of vehicles, improved communication systems and work scheduling.

2.16 The Senior Transport Manager (STM) is currently carrying out a review of the use of SHG vehicles on long term hire to assess directorate needs and has reallocated some vehicles as a result of this review (Recommendation 3).

2.17 We were advised that there were only two private vehicles hired on a long term basis. One was utilised for a project managed by the Agriculture and Natural Resources Directorate and the other by the Building Inspector. A replacement vehicle had been ordered for the Building Inspector and it was anticipated that the other hire would be relinquished on completion of project.

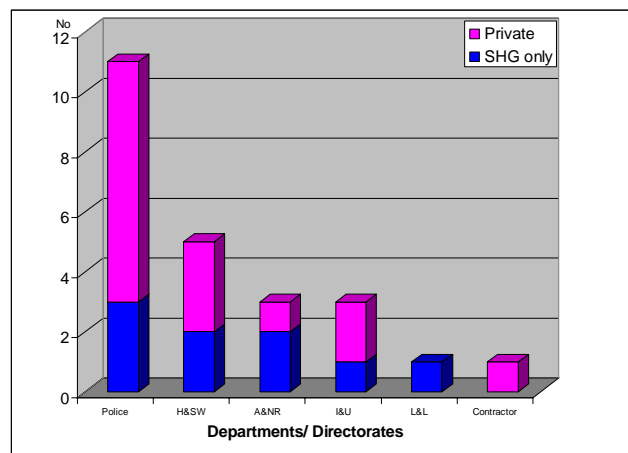
2.18 The use of SHG vehicles on long term hire suggests potential for efficiency gains. Transport Division records show that long term hire of private sector vehicles is minimal.

Vehicle damages

2.19 Appendix 7.2 of the CoM details the procedures covering accidents and damages. Procedures cover the "duty

to report vehicle accidents" and "vehicle accidents involving private vehicles".

2.20 The chart below shows the number of accidents during 2010/11, analysed by department/directorate responsible for the vehicle and parties involved.



2.21 Drivers of SHG vehicles involved in a road accident must report the facts of the case to the responsible officer in his directorate and the Police. There are no further requirements e.g. reporting accident to the Transport Division or how the cost of damages are to be treated. There is the risk that the Transport Division is not made aware of damages and unable to initiate corrective action on a timely basis (Recommendation 4).

2.22 The current procedures for SHG vehicles involved in a road traffic accidents with private sector vehicles require:

- o the accident to be reported to the employee's director, Police and Transport Division and written reports from the driver, Police and Transport Division;
- o the director to submit a full report (including the above reports and

recommendations) to the Deputy Chief Secretary; and

- o the Deputy Chief Secretary to make a decision on director's report.

2.23 Financial regulations authorises the Financial Secretary to surcharge public officers for damages to public assets due to carelessness or fault. The CoM does not remind drivers or directors that this regulation is relevant to vehicle accidents. This increases the risk of directors and their employees not being held accountable for the damages incurred because procedures were not complied with (Recommendation 5).

2.24 There are no financial limits for the costs of damages that should be reported to the Chief Secretary or Financial Secretary. The need to report petty damages costs to these officers and their subsequent consideration is considered inefficient use of resources (Recommendation 6).

2.25 Of the fifteen accidents recorded during 2010/11 which involved private vehicles, three were supported by formal driver reports, the police reported all, two were supported by Transport Division reports but no evidence was provided by the Secretariat to confirm receipt or consideration of head of department's reports by the Deputy Chief Secretary. It is therefore concluded the requirements of the Code of management were not fully complied with (Recommendation 8).

2.26 The vehicle accidents file included damages costs for only 3 of 24 road traffic accidents during 2010/11. This poses the risk that directors and their employees are not held accountable for the damages incurred as a result of

failure to comply with procedures (Recommendation 7).

2.27 Damages costs for the three vehicles were in the region of £3k, £200 of which was in respect of two private sector vehicles. We understand that the third, an SHG vehicle is currently being repaired and no charges have yet been made to directorates.

2.28 The STM has recently adopted a policy of charging directorates for the cost of vehicle damages in addition to road traffic accidents. The onus is then on directors to take the next course of action i.e. reporting the cost of damages to the Financial Secretary and surcharging the employee.

2.29 The requirements of the CoM and the Financial Regulations regarding accident damages have not been fully complied with. This increases the risk of officers and directors not being held accountable. There is also scope for improving efficiency in processes in the reporting and consideration of vehicle damages.

Fuel consumption

2.30 The Transport Division spent £175k on fuel for the financial year 2010/11. This expenditure does not include all fuel purchased for vehicles used by SHG. Directorates that own vehicles (e.g. the Agriculture and Natural Resources) or hire private vehicles, pay fuel costs from their own budget.

2.31 Directorates hiring vehicles on a long term basis generally replenish fuel at fuel stations. A responsible officer in the department authorises the replenishment of fuel on a standard form requisition voucher.

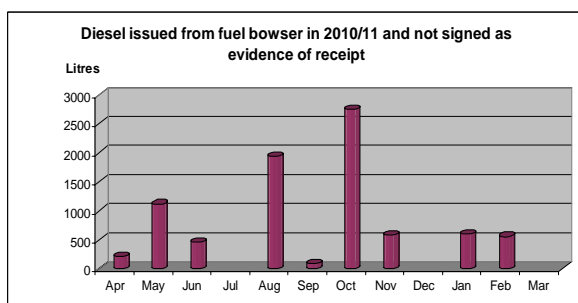
2.32 Requisitions for the financial year 2010/11 were reviewed. Requisitions were authorized, however it was obvious from the precise quantities (to two decimal places) that several requisition vouchers did not state the quantity of fuel when authorised.

2.33 It is concluded that officers responsible for authorising fuel requisitions are not fulfilling their responsibility. Blanket quantity fuel requisitions could encourage abuse of the system, which would result in loss of resources; this is not considered good practice (Recommendation 9).

2.34 The Transport Division uses a mobile fuel tank to refuel plant vehicles. The fuel tank which has a holding capacity of 1000 litres and a gauge for monitoring issues but cannot measure stock levels.

2.35 The Plant Operations Foreman is responsible for the fuel tank. Each fuel issue should be recorded on an issue voucher and signed by both the Foreman and recipient.

2.36 A review of issue vouchers for the 2010/11 financial year revealed that several requisitions accounting for more than 8,000 litres of diesel had not been signed acknowledging receipt. The chart below shows the significance of the level of issues that were not signed each month.



2.37 The failure to obtain recipient signatures is of serious concern given the substantial quantities of fuel issued. This poses the risk of disagreement of quantities received and potential abuse of the system through pilferage. It is important that the foreman ensures all issues are evidenced to safeguard himself against potential disagreements of quantities. Similarly, persons responsible for vehicles should ensure that they sign issue vouchers to confirm that they are in agreement with the stated quantity of fuel issued. (Recommendation 10).

2.38 The Executive Officer authorises the replenishment of the fuel bowser stocks on a requisition. Fuel receipts and issues are not reconciled prior to authorising requisitions. The absence of this control creates potential for abuse and increases the risk of pilferage of resources (Recommendation 11).

2.39 The weakness in control was discussed with the STM during the course of this review and log sheets have been introduced to record fuel received and issued.

2.40 The Transport Division maintains a workbook to record fuel consumption by individual vehicles. Audit testing revealed that this workbook is not subject to routine periodic or annual checks to confirm the accuracy of data input. This increases the risk of inaccurate data and basis for management decisions (Recommendation 12).

2.41 Fuel costs on the fuel consumption worksheet differed with the total expenditure for 2010/11 by £40k. At the end of July 2011, four months after the year end, the difference was still to be resolved. The delay in

reconciling data reduces the timeliness of management information and action (Recommendation 12).

2.42 In view of the delay in updating and reconciling fuel data on the fuel consumption work sheet, the process was reviewed to assess whether there is scope for achieving efficiencies in the process. The workbook includes a worksheet for each vehicle, including private hire vehicles; there are more than 250 worksheets. The worksheet is designed to record each fuel transaction (i.e. date, quantity of fuel, cost of fuel, fuel supplier) and the mileage reading when refuelled. These individual spreadsheets are linked to two worksheets. The first, "vehicles" collates the cost of fuel consumed by each vehicle and start and finish mileage readings on a monthly basis for the year; and the second, "fleet analysis" collates fuel and other cost data for each vehicle on a financial year to date basis.

2.43 Directorates, have responsibility for ensuring that fuel consumption for long-term and private vehicles is reasonable for the activities undertaken. The Transport Division has responsibility for monitoring fuel consumption to ensure that hire charges are relevant and to identify and investigate higher than expected levels from a maintenance perspective.

2.44 In the light of the responsibility of the Transport Division, the level of detail maintained on vehicles utilised by other directorates is questioned on the basis of necessity and time consumed to maintain. As a guide, miles per litre could be reviewed on a monthly basis rather than at each refuelling. The structure for recording fuel consumption data is also considered time consuming; more

than 250 work sheets are scrolled through to input data on the relevant sheet for each vehicle (Recommendation 13).

2.45 A review of fuel consumption by similar vehicles was included in the initial audit plan. In view of the significant understatement of fuel costs on the fuel consumption spreadsheet, the data was considered unreliable and restricted audit testing.

2.46 Plant vehicles are monitored by hours used. Logs books are not maintained for all plant vehicles to record the hours used. As a result, there is lack of data upon which to monitor the efficiency of usage in terms of fuel consumed and to assess the reasonableness of revenue generated. This increases the risk of failure to identify inefficient plant and loss of revenue through inappropriate hire charges or understatement of hours used (Recommendation 14).

2.47 Three plant vehicles, comprising two cranes and a reach stacker, acquired through development project funding are dedicated to the Access and Shipping Directorate primarily for cargo clearance.

2.48 A monthly fee is charged for one of the cranes only. Transport Division records show that fuel and direct maintenance costs are in the region of £2k per year for both the second crane and reach stacker. The absence of hire charges for plant vehicles results in the Transport Division subsidising the operations of the user. This treatment is considered inappropriate and does not accord with SHG's policy of moving towards full cost recovery (Recommendation 15).

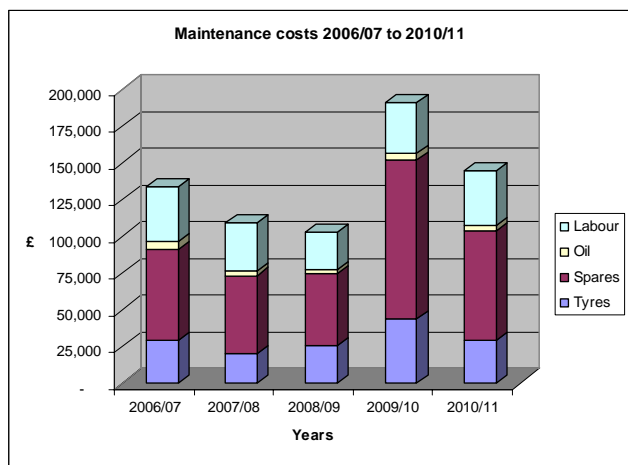
2.49 Data on revenue generated and fuel consumed by plant was not readily

available therefore preventing a review of the reasonableness of revenue raised with fuel consumed.

2.50 Controls over the receipt and issue of fuel requires improvements to minimise the risk of abuse of systems, pilferage of fuel and loss of resources. Management information systems require improvement to provide for efficiency of processes and reliable and timely information for decision-making. Plant hire charges should reflect full cost recovery.

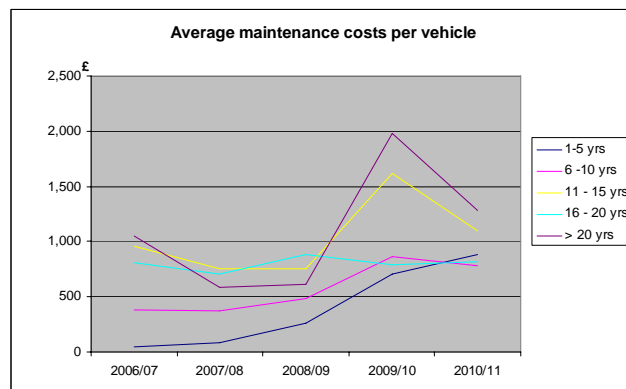
Vehicle maintenance costs

2.51 Workbooks have been designed to record and monitor maintenance costs of individual vehicles on a monthly and annual basis. The chart below shows maintenance costs for the five year period 2006/07 to 2010/11.



2.52 Records reflect maintenance costs ranging from £100k to £150k with the exception of 2009/10. The increase in 2009/10 is attributable to the categories tyres and spares. Whilst maintenance data identifies the vehicles accounting for the substantial increase in 2009/10, data is not readily available to explain nature of maintenance.

2.53 Maintenance data has been further analysed in the chart below for vehicles held at the end of March 2011 to identify whether there is a relationship between maintenance costs and the age of vehicles.



2.54 The chart shows that maintenance costs generally increase over time with older vehicles costing more to maintain.

2.55 Review of the reliability of data on the workbooks revealed that they are not subject to routine periodic or annual checks to confirm the accuracy of data input. This increases the risk of inaccurate data and basis for management decisions. Accurate management information on maintenance costs is crucial to decisions on holding and replacing vehicles (Recommendation 16).

2.56 Maintenance costs in the workbook are limited to direct costs (tyres, spares, oils and labour) and does not reflect the full maintenance cost. Indirect costs paid by the Transport Division include support staff salaries, property costs, supplies and services, administration costs.

2.57 The indirect costs relate to both the servicing of vehicles and provision of hire services. A proportion of these costs should therefore be allocated to

each vehicle to reflect the full maintenance cost. Data is not readily available to apportion these costs to servicing of vehicles however, it is clear that these costs would have a significant impact on the maintenance costs currently recorded, a simple 50:50 split would result in a 60% increase in maintenance costs (Recommendation 17).

2.58 Controls did not exist over the issuing of oils during 2010/11 resulting in a potential understatement of maintenance costs in the monitoring workbook by £9k and potential loss of resources. Financial Regulations, section 19, states that Accounting Officers shall be responsible for the care and custody of stores and require appropriate arrangements to be made. Management has noted this control weakness and with effect from July 2011, the storekeeper holds and issues oil, and the vehicles to which oil is allocated will be recorded to update management information on maintenance (Recommendation 18).

2.59 Labour costs in the monitoring workbook of £37k is significantly less than the total wages of £75k paid to mechanics and their foreman. The basis of the labour rate used for maintenance management information is unknown. Based upon salaries for 2010/11, it is clear that the rate applied is understated. The use of one rate for both the mechanics and foreman is also inappropriate given the difference in their job profiles and salaries.

2.60 The number of hours recorded in the workbook is also questionable. Based upon mechanics only, the cost recorded in the workbook equates to only 52% of their total working hours i.e. 135 out of 260 working days. It is concluded that the total labour hours

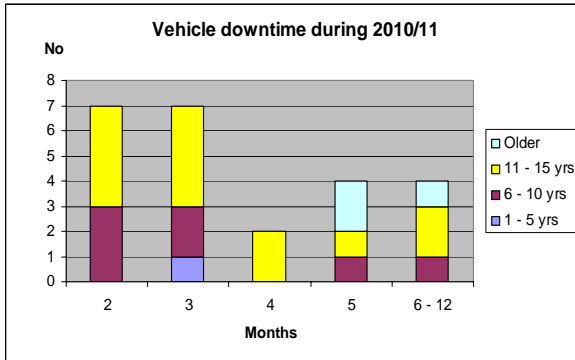
recorded in the monitoring workbook is either:

- o inaccurate as a result of inaccurate data input or inaccurate job sheets; or
- o a fair record of the hours spent maintaining vehicles but man hours have been lost through inadequate management arrangements for the maintenance of vehicles and productivity of mechanics (Recommendation 19).

2.61 Unpaid leave is granted to mechanics to carry out ship work. There are no formal rules permitting the approval of leave absence to work ship although there is an implied general consensus by the Corporate Management Team to release staff on unpaid leave for this purpose.

2.62 Based upon data for the period July 2010 to June 2011, the estimated mechanic's absence working days in a year was 25% of the total annual working days for one mechanic (65/260). This percentage alone is not considered to have a significant impact on the operations of the Transport Division. However, given that the Transport Division currently has a 25% mechanic vacancy level (3/12), further granting of absences for ship work will no doubt affect the timely maintenance of SHG vehicles (Recommendation 20).

2.63 Twenty four vehicles were on downtime during 2010/11 for a duration of more than one month. The chart below shows the periods of down time and the age of those vehicles.



2.64 The chart clearly shows that older vehicles are more susceptible to extended downtime. Explanations for the extended down time included rebuilding, awaiting parts and repairs. The Garage Manager advised that downtime is often attributable to insufficient labour resources to meet demand.

2.65 Records show that maintenance costs generally rise as vehicles age. Recorded maintenance costs are considered inaccurate through the absence of control checks and significantly understated as indirect costs are excluded.

2.66 Future plans include the divestment of SHG vehicle maintenance and accurate maintenance cost information will be crucial to decision making during this process.

Replacement arrangements for vehicles

2.67 Five vehicles were identified for replacement within the 2010/11 budget allocation. The procedures adopted indicated that there was a sound basis for prioritising their replacement however, it was obvious that the approved budget resource drove the replacement process.

2.68 Ten vehicles had originally been flagged for replacement in the

2010/11 replacement schedule. This includes vehicles that had been imported between twelve and thirty two years ago. The 2010/11 approved budget fell short of funding required by more than 100% resulting in the replacement of only five vehicles.

2.69 The replacement schedule had been prepared before the engagement of the current Senior Transport Manager. There is no formal replacement policy although a draft policy exists. It is clear that documented replacement plans had not been maintained and historical data on the condition of vehicles is lacking. The STM has identified these weaknesses and has initiated action to rectify the issues. A form has been designed to collate data on the condition of vehicles when vehicle inspections are carried but this is yet to be used (Recommendations 21 and 22).

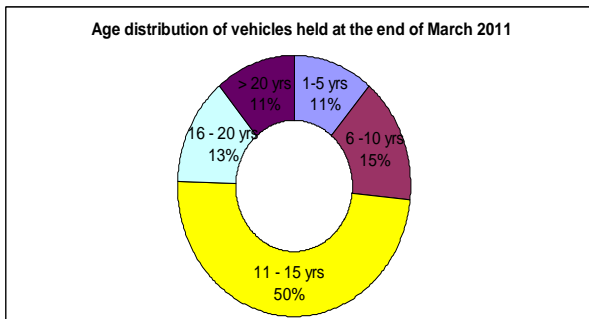
2.70 Whilst the basis for replacements from the 2010/11 budget was considered adequate, replacement of vehicles is driven by available funding rather than an assessment of cost to maintain versus replacement. This increases the risk of continued inefficient use of resources maintaining assets in the absence of funding to replace even though replacement may be the more cost effective option.

2.71 A review of average maintenance costs over the past five years in relation to the acquisition cost, highlighted that:

- o Maintenance costs over a four year period exceeded the acquisition cost for one Land Rover that has been held for more than twenty years; and
- o Should the average maintenance costs have been of a similar level in

previous years, maintenance costs for eleven vehicles, comprising Ford Fiesta's, Ford Transits and Landrovers of varying ages (six to 24 years), would have exceeded their acquisition cost over a five to ten year period.

2.72 In view of the age of vehicles (depicted in the chart below), it is likely that maintenance costs have outweighed acquisition costs and efficiencies have been lost through maintaining rather than replacing vehicles.



2.73 The Transport Division acknowledges that aging vehicles are becoming more expensive to maintain. A review has been conducted to identify vehicles that are no longer economically viable to maintain and seven were recommended for disposal.

2.74 In the absence of funding to replace vehicles during 2011/12, the Transport Division has drawn up a proposal to seek additional funding for repairs.

2.75 The current proposal does not consider the cost effectiveness of arrangements and other potential options to meet transportation needs. For example, whilst strategic plans include reducing the number of private sector vehicles, there may be scope to reduce the need for replacement

funding by entering into suitable arrangements with private sector operators for leasing of vehicles (Recommendation 23).

3. CONCLUSION

3.1 The procedures for the use of vehicles as set out in the OCSC 1/2008 have not been fully complied with. We have made two recommendations to minimise the risk of inefficient use of resources.

3.2 The use of SHG vehicles on long term hire suggests potential for efficiency savings. We have made one recommendation in this regard. Transport Division records show that long term hire of private sector vehicles is minimal.

3.3 The requirements of the CoM and Financial Regulations regarding accident damages have not been fully complied with. We have made six recommendations to promote the accountability of officers and to seek efficiency in processes.

3.4 Management arrangements for the control of fuel require improvement to minimise the financial and fraud risk. Plant hire charges should reflect full cost recovery. We have made seven recommendations to mitigate risks and seek efficiency in processes.

3.5 Records show that maintenance costs generally rise as vehicles age. Recorded maintenance costs are considered inaccurate and significantly understated. We have made five recommendations to improve the reliability of management information and improve efficiencies in processes.

3.6 Replacement of vehicles is driven by available funding rather than an assessment of the cost to maintain

vehicles or alternate options to meet transportation needs versus replacement. We have made three recommendations to provide for the efficient use of resources through consideration of cost effective options.

3.7 The weakness in control systems highlight the need for a comprehensive procedures manual to communicate staff responsibilities and provide a guide on how tasks should be carried out. A recommendation has been made in this regard (Recommendation 24).

4. Management Response and Action Plan

	RECOMMENDATION	Officer responsible for implementation	Priority	Implementation expected to be completed by: (Month, Year)	Management Comments
1	<p>Log books Log books for vehicles on long-term hire were not correctly filled in and signed by management in all directorates as required by OCSC 1/2008. This increases the risk of loss of resources through unauthorised journeys.</p> <p>We recommend that all directors ensure that their drivers and managers are aware of and comply with the requirements of OCSC 1/2008 for recording and reviewing journeys.</p>	<p>Agriculture Development Officer, A&NR</p> <p>Deputy Director of Education and Employment (DDEE)</p> <p>Information Technology Systems Manager, Finance</p> <p>Director of Health and Social Welfare (DH&SW)</p> <p>Director of Infrastructure and Utilities (DI&U)</p>	Medium	<p>September 2011</p> <p>Immediate</p> <p>October 2011</p> <p>September 2011</p> <p>October 2011</p>	<p>Agreed</p> <p>E& E will recommence checking immediately. General Maintenance Technician has been requested to bring in log books for monthly checking. A reminder to all drivers to record each journey made and to sign. Internal circular will reinforce this.</p> <p>Agreed</p> <p>We have reminded Managers of this requirement and will monitor compliance.</p> <p>Agree</p>

	RECOMMENDATION	Officer responsible for implementation	Priority	Implementation expected to be completed by: (Month, Year)	Management Comments
		Chief of Police (COP)		Immediate	This is part of our daily routine as a requirement for the Police Directorate. We have reinforced the need for proper driver completion of all log books.
2	<p>Use of vehicles for on-call purposes Directorates were unable to provide evidence of the Chief Secretary's approval to take vehicles home for on-call duties as required by OCSC 1/2008. There is a risk that the use of vehicles for on-call purposes are not justified resulting in inefficient use of resources.</p> <p>We recommend that directors be reminded of and requested to comply with the requirements of OCSC 1/2008 for on-call vehicles.</p>	Manager, Central Administration, Secretariat (MCA)	High	End of September 2011	This recommendation is fully supported.
3	<p>Long term hire of SHG vehicles The majority of vehicles travel on average less than 25 miles per day, based upon a five day week.</p> <p>We recommend that the review of directorates transportation needs being conducted by the STM include consideration of the durations used and the potential for sharing of similar vehicles.</p>	Senior Transport Manager, I&U (STM)	High	2012-2013	This can only be implemented with the cooperation and support of all Directorates. This concept has been adopted with pool vehicles which are controlled by Transport Division and is working satisfactory.

	RECOMMENDATION	Officer responsible for implementation	Priority	Implementation expected to be completed by: (Month, Year)	Management Comments
4	<p>Procedures for accidents involving SHG vehicles only The CoM requires the driver of any Government vehicle which is involved in a road traffic accident to report the facts of the case to the responsible officer in his department. There are no further requirements.</p> <p>We recommend that the CoM be revised to provide consistency in the investigation of and reporting arrangements for SHG only vehicle accidents with accidents involving private vehicles.</p>	<p>STM</p> <p>Senior Human Resources Officer, Work Force Planning, Human Resources Directorate (SHRD, WFP)</p>	Medium	<p>Pending Chief Secretary approval of the draft form.</p> <p>Pending notification from the STM.</p>	<p>It has been noted that there was no standard accident reporting form in place and at this time a draft form has been submitted to the Ag CS for approval. The form/revised circular was submitted to Ag CS on 29 March 2011 and circulated for comments in June.</p> <p>HRD to revise the CoM accordingly once the accident reporting form has been approved.</p>
5	<p>Absence of reference to the Financial Secretary in the accidents damages reporting process Financial Regulations authorises the Financial Secretary to surcharge public officers for damages to public assets due to carelessness or fault. The CoM does not remind drivers or directors that this regulation is relevant to vehicle accidents. This increases the</p>	SHRO, WFP	High	31 December 2011	HRD to revise the CoM accordingly.

	RECOMMENDATION	Officer responsible for implementation	Priority	Implementation expected to be completed by: (Month, Year)	Management Comments
	<p>risk of directorates and their employees not being held accountable for the damages incurred because procedures were not complied with.</p> <p>We recommend that the CoM be revised to ensure that the Financial Secretary is included in the reporting process so that a decision can be made on surcharging prior to the Deputy Chief Secretary's consideration of report.</p>				
6	<p>Financial Authorisation Limits for Damages Costs Procedures require all damages costs to be reported to the Financial Secretary and Chief Secretary.</p> <p>We recommend that, in the interest of achieving efficiency in processes:</p> <p>(a) a minimum financial limit be introduced for vehicle accident damages costs which should be reported to the Financial Secretary and Chief Secretary; and</p> <p>(b) guidance is provided to directors for the treatment of vehicle accidents with damage costs below that limit.</p>	Director of Finance/ MCA	Medium	End of November 2011	Agreed This recommendation is fully supported.

	RECOMMENDATION	Officer responsible for implementation	Priority	Implementation expected to be completed by: (Month, Year)	Management Comments
7	<p>Damages reports The vehicle accidents file included damages costs for only 3 of 24 road traffic accidents. There is a high risk that directorates and their employees are not held accountable for the damages incurred because procedures were not adopted or complied with.</p> <p>We recommend that as good practise, for each vehicle accident, the Transport Division assess damages to vehicles, estimate the cost of repairs (if applicable), file the assessment with road traffic accident reports and report the results of the assessment to the relevant director for action.</p>	STM	High	Immediate	Will ensure that the CoM is followed.
8	<p>Adherence to the Code of Management Procedures for vehicle accidents involving private vehicles, as set out in appendix 17.2.2 to the CoM were not fully complied with.</p> <p>We recommend that directors remind employees of their responsibilities and request them to adhere to the CoM.</p> <p>Further we recommend that a review be carried out to ensure that the CoM is</p>	<p>Director of Agriculture and Natural Resources</p> <p>DDEE</p>	Medium	<p>September 2011</p> <p>Immediate</p>	<p>Agreed</p> <p>Included in our internal circular, will be a reminder of the procedure should an accident occur.</p>

	RECOMMENDATION	Officer responsible for implementation	Priority	Implementation expected to be completed by: (Month, Year)	Management Comments
	fit for purpose.	DH&SW DI&U Chief of Police		September 2011 September 2011	I would agree with this, but only after a review is completed of this section of the CoM Recommendation accepted.
9	<p>Authorisation of fuel requisitions</p> <p>Requisitions for the financial year 2010/11 were authorised however, it was obvious from the precise quantities (to two decimal places) that several requisition vouchers did not state the quantity of fuel when authorised. Blanket quantity fuel requisitions could encourage abuse of the system which would result in wasted resources; this is not considered good practice.</p> <p>We recommend that officers responsible for authorising fuel requisitions ensure that quantities are stated prior to authorisation.</p>	<p>Senior Executive Officer, A&NR</p> <p><i>DDEE</i></p> <p>ITSM DH&SW DI&U COP</p>	High	<p>September 2011</p> <p>Immediate</p> <p>October 2011 September 2011 1 October 2011 September 2011</p>	<p>Agreed.</p> <p>With immediate effect, quantities purchased will be entered in the log book.</p> <p>Agreed. We will take this on board. Agree. Needs a consistent approach across SHG. Recommendation accepted.</p>
10	<p>Evidencing receipt of fuel issues</p> <p>More than 8,000 litres of diesel issued from the fuel tanker were not signed as acknowledgement of receipt. The</p>	STM	High	Already implemented	Better control measures were implemented during the audit process.

	RECOMMENDATION	Officer responsible for implementation	Priority	Implementation expected to be completed by: (Month, Year)	Management Comments
	<p>failure to obtain recipient signatures is of serious concern given the substantial quantities of fuel issued. This poses the risk of disagreement of quantities received and potential abuse of the system through pilferage.</p> <p>We recommend that the foreman should ensure that all fuel issues are evidenced by the recipient at the time of issue.</p>				
11	<p>Authorisation of replenishment fuel tanker stocks Fuel receipts and issues are not reconciled prior to authorising requisitions to replenish fuel stocks. The absence of control creates potential for abuse and increases the risk of pilferage of resources.</p> <p>We recommend that fuel receipts and issues are reconciled prior to authorising replenishment stocks.</p>	STM	Medium	Already implemented	This practise is now in place.
12	<p>Fuel consumption data The total fuel costs recorded on the 2010/11 fuel consumption workbook was £40k less than the expenditure recorded in the ledger. At the end of July 2011, the difference was still to be resolved. The delay in reconciling data</p>	STM	High	2011-2012	Checks are being performed to ensure all plant and vehicles are recorded.

	RECOMMENDATION	Officer responsible for implementation	Priority	Implementation expected to be completed by: (Month, Year)	Management Comments
	<p>reduces the timeliness of management information and action.</p> <p>We recommend that periodic control checks are implemented and performed on a timely basis. Further, explanation for the difference is to be provided.</p>				
13	<p>Fuel consumption data The “fuel consumption” worksheet is designed to record each fuel transaction (i.e. date, quantity of fuel, cost of fuel, fuel supplier) and the mileage reading when refuelled. The level of detail recorded and the structure of workbook is considered time consuming to maintain.</p> <p>We recommend that management:</p> <ul style="list-style-type: none"> (a) review management information needs in particular, the necessity to record the current level of details for fuel consumption by long-term or private hire vehicles; (b) review the structure of workbook used to monitor fuel consumption details and the efficiency of data input; and 	STM	Medium	2012-2013	Worksheet will be reviewed to explore ways in which inputting of data could be less time consuming.

	RECOMMENDATION	Officer responsible for implementation	Priority	Implementation expected to be completed by: (Month, Year)	Management Comments
	(c) take necessary action as a result of these reviews.				
14	<p>Plant usage hours Logs books are not maintained for all plant, to monitor the hours used. As a result, there is lack of data upon which to monitor the efficiency of usage in terms of fuel consumed and to assess the reasonableness of revenue generated. This increases the risk of failure to identify inefficient plant and loss of revenue through inappropriate hire charges or understatement of hours used.</p> <p>We recommend that:</p> <ul style="list-style-type: none"> (a) log books are maintained for all plant to provide data on hours used; and (b) hours logged for plant are compared with fuel consumption and fees charged. 	STM	High	September/ October 2011.	This has been noted and efforts have been made to fix defective clocks on aging plant.
15	<p>Plant hire charges Charges for the cranes used for cargo clearance cover depreciation only. The absence of hire charges results in the Transport Division subsidizing the operations of the user. This treatment</p>	STM	High	April 2012	The question of who actually controls/owns the wharf equipment has been asked many a time. As a result of restructuring we have been made aware

	RECOMMENDATION	Officer responsible for implementation	Priority	Implementation expected to be completed by: (Month, Year)	Management Comments
	<p>is considered inappropriate and does not accord with SHG's policy of moving towards full cost recovery.</p> <p>We recommend that hire charges for all plant reflect full cost recovery.</p>				that all equipment comes under Access and Shipping. Financial issues still need to be clarified.
16	<p>Accuracy of maintenance cost data The workbook designed to record and monitor maintenance costs of individual vehicles are not subject to routine periodic or annual checks to confirm the accuracy of data input. This increases the risk of inaccurate data and basis for management decisions.</p> <p>We recommend that the workbook maintained to monitor maintenance costs be reconciled periodically with control data.</p>	STM	Medium	2012-2013	<p>Periodic checks will be performed.</p> <p>Further training required for the Stores Manager in the use of Access Accounts in order to produce reports for reconciliation.</p>
17	<p>Completeness of maintenance cost data Maintenance costs in the workbook are limited to direct costs (tyres, spares, oils and labour) and does not reflect the full maintenance cost.</p> <p>We recommend that maintenance costs monitored in the workbook is extended to include indirect costs paid by the Transport Division and other relevant indirect costs to reflect the full</p>	STM	High	April 2012	Recommendation will be taken into account during recharges/hire rates review.

	RECOMMENDATION	Officer responsible for implementation	Priority	Implementation expected to be completed by: (Month, Year)	Management Comments
	maintenance cost per vehicle.				
18	<p>Stores control Prior to July 2011, controls did not exist over the issuing of oils increasing the risk of loss of resources. In addition, Financial Regulations, Section 19, was not complied with.</p> <p>We recommend that the Director ensures that all staff are aware of and comply with the requirements of Financial Regulations for the care and custody of stores.</p>	Director, I&U	Medium	1 October 2011	Agreed.
19	<p>Labour costs Labour costs in the monitoring workbook was significantly less than the total wages paid to mechanics and their foreman. The basis of the labour rate used for maintenance management information is unknown. The use of one rate for both the mechanics and foreman is inappropriate given the difference in their job profiles and salaries.</p> <p>We recommend that:</p> <p>(a) the hourly labour rate be updated to reflect current salary rates and the productive man hours per mechanic;</p> <p>(b) a separate hourly labour rate be</p>	STM	High	April 2012	Recommendation will be taken into account during recharges/hire rates review.

	RECOMMENDATION	Officer responsible for implementation	Priority	Implementation expected to be completed by: (Month, Year)	Management Comments
	<p>applied for the foreman mechanic;</p> <p>(c) the basis of labour rates be documented and retained;</p> <p>(d) labour rates be reviewed periodically and updated when necessary;</p> <p>mechanics productivity levels are subject to periodic review and lower than expected levels investigated (and where necessary, improvement in management arrangements sought).</p>				
20	<p>Unpaid leave for Ship work</p> <p>It has been historical practice to grant unpaid leave to mechanics to carry out ship work. There are no formal rules permitting the approval of absence leave. This practice could affect the timeliness of servicing vehicles.</p> <p>We recommend that management should seek clarification on the implied policy for granting ship work with a view to ensuring that such releases do not affect timely service delivery.</p>	STM	High	September 2012	<p>This issue involves other directorates as well.</p> <p>With the view of resolving recommendation 15 alternative arrangements might become available.</p>
21	<p>Replacement Policy</p> <p>There is no formal replacement policy although a draft policy exists.</p>	STM	High	March 2012	<p>Draft policy to be reviewed/finalised and applied.</p>

	RECOMMENDATION	Officer responsible for implementation	Priority	Implementation expected to be completed by: (Month, Year)	Management Comments
	We recommend that management decides upon and documents the policy and procedures for the replacement of vehicles to communicate and provide for a consistent approach.				
22	<p>Working papers</p> <p>It is clear that documented replacement plans have not been maintained and historical data on the condition of vehicles is lacking.</p> <p>We recommend that management ensure:</p> <p>(a) adequate working papers are prepared and retained to support major plans such as the replacement of vehicles; and</p> <p>(b) data on vehicle condition is collated during vehicle inspections to provide for efficiency in processes.</p>	STM	Medium	Oct 2011	It is evident that no historical information on vehicles is available, worksheets has been introduced to be implemented soon.
23	<p>Replacement arrangements</p> <p>The current proposal seeking additional maintenance funding in the absence of replacement funding does not consider the cost effectiveness of arrangements and other potential options to meet transportation needs. For example, whilst strategic plans include reducing the number of private sector vehicles, there may be scope to reduce the need</p>	STM	High	2013	<p>It is not always guaranteed to have private hire drive available and with the difference in cost some directorates are not willing to pay the hire rates.</p> <p>With the view to divestment and the</p>

	RECOMMENDATION	Officer responsible for implementation	Priority	Implementation expected to be completed by: (Month, Year)	Management Comments
	<p>for replacement funding by entering into suitable arrangements with private sector operators for leasing of vehicles.</p> <p>We recommend that the Transport Division:</p> <ul style="list-style-type: none"> (a) identifies the full cost of maintaining each asset so that there is a reliable basis for decision making; (b) considers all potential options available for meeting transportation needs; and (c) use the most cost effective arrangement for meeting transportation needs; the replacement or continued maintenance of vehicles should only occur where it can be justified. 				<p>reviewing of hire rates to cover maintenance cost, other potential options could be considered.</p>
24	<p>Procedures manual The weakness in control systems highlights the need for a comprehensive procedures manual.</p> <p>We recommend that a procedures manual be compiled to communicate staff responsibilities and provide a guide on how tasks should be carried out.</p>	STM	Medium	Will document /develop and complete by 2012-2013	Support this recommendation but will take time to compile, as correct procedures still need to be determined for various tasks.

APPENDIX A

AUDIT OPINION DEFINITIONS

Every VFM audit concludes with an overall opinion based upon individual opinions that are applied to each of the review areas identified in the scope of the audit. The range of opinions, together with an explanation of their meanings, is as follows:

<i>VFM Opinions</i>	
GOOD	Management arrangements are conducive to achieving VFM and only minor enhancements, if any, can be identified.
ADEQUATE	Further important enhancements need to be made.
INADEQUATE	Management arrangements are not considered to be adequately conducive to achieving maximum VFM.

APPENDIX B

SCOPING AND RESOURCING

The objective of this audit was to establish whether policies and procedures have been complied with and resources have been used efficiently and effectively. We assessed:

1. Compliance with policies and procedures for the use of SHG vehicles;
2. Cost effectiveness of the arrangements for long term vehicle hire of SHG and private sector vehicles;
3. Compliance with policies and procedures for damages to SHG vehicles; and
4. Cost effectiveness of maintenance and replacement arrangements for SHG vehicles;

This was done by:

- Interviewing the Director of Infrastructure and Utilities, Senior Transport Manager and members of their staff;
- Review of rules and procedures for vehicle management and replacement;
- Review of Transport Division data and management information; and
- Reviewing documentation maintained by SHG Directorates as evidence of compliance with procedures.

The audit was undertaken during the 2011/12 financial year.

APPENDIX C**LIST OF PERSONS CONSULTED**

The assistance given to the Audit Service by all those listed below during the course of the audit is acknowledged.

Names	Title	Directorate
David Thompson	Director of Infrastructure and Utilities	I&U
Nicholas George	Senior Transport Manager	I&U
Janatta Leo	Senior Executive Officer	I&U
Clare Stroud	Executive Officer	I&U
Janine Leo	Transport Co-ordinator	I&U
Rex Leo	Foreman, Plant Operations	I&U
Darren Duncan	Director of Agriculture and Natural Resources	A&NR
Joycelyn Constantine	Executive Officer (Administration)	A&NR
Karen Thomas	Executive Officer (Accounts)	A&NR
Carol Thompson	Human Resources and Administration Manager	E&E
Audrey Piek Williams	Executive Officer	E&E
Tony Kilner	Director of Finance	Finance
Dax Richards	Head of Accounting Services	Finance
Jeremy Roberts	Information Technology Systems Manager	Finance
Lorriane Yon	Executive Officer	Finance
Linda Cranfield	Assistant Postmistress	Finance
Carol George	Director of Health and Social Welfare	H&SW
Clarissa Osborne	Executive Officer (Accounts)	H&SW
Bronwen Yon	Senior Human Resources Officer, Work Force Planning	HR
Peter Coll	Chief of Police	Police
Jeffrey Ellick	Deputy Chief of Police	Police
Merlin George	Assistant Superintendent of Police	Police
Geraldine Crowie	Executive Officer	Police
Derek Henry	Manager, Central Administration	Secretariat
Karen Isaac	Executive Officer, Stores and Accounts	Secretariat
Nicole Plato	PA to Chief Secretary	Secretariat
Melanie Ceasar	Executive Officer, Registry	Secretariat