



Auditor-General of Victoria

Special Report No 7

Motor Vehicles

April 1987

VICTORIA

Report

of the

Auditor – General

SPECIAL REPORT No 7

Motor Vehicles

Ordered by the Legislative Assembly to be printed

MELBOURNE
F D ATKINSON GOVERNMENT PRINTER
1987



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April 1987.

The Honourable the Speaker,
Legislative Assembly,
Parliament House,
MELBOURNE, 3002.

Sir,

Under the provisions of the Audit Act 1958, I transmit a report on a review of Victorian government motor vehicle fleet operations.

The main aim in carrying out this review was to examine the efficiency and effectiveness of the systems used by a selected group of government departments and public bodies to control the acquisition, utilisation and disposal of their motor vehicles.

The co-operation and assistance which staff of my Office received from the departments and public bodies covered by the review is appreciated. I am pleased to note that the response by organisations to the issues raised in this report has been positive and constructive.

Yours sincerely,

R.G. HUMPHRY
Auditor-General

**PREVIOUS SPECIAL REPORTS
OF THE
AUDITOR-GENERAL**

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2	. Works Contracts Overview - Second Report	June 1983
3	. Government Stores Operations . Departmental Cash Management	October 1984
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PART 1

REVIEW SUMMARY

1.1

BACKGROUND

- 1.1.1 The Victorian Government, through its departments and public bodies operates a fleet of some 21 000 vehicles including passenger sedans, station wagons, utilities, panel vans, four wheel drive vehicles, passenger buses and various specialist vehicles such as ambulances, fire engines, heavy trucks and tankers.
- 1.1.2 Total investment in the fleet at 30 June 1986 was estimated to be in the vicinity of \$170 million with related operating costs of approximately \$63 million per annum.
- 1.1.3 Previous studies of the Victorian Government's fleet have been carried out by the Parliamentary Committee of Public Accounts in 1968-69 and the State Government Transport Task Force in 1982-83. As a result of the Task Force's observations, the Victorian Government Motor Vehicle Fleet Directorate (the Directorate) was established in March 1984 and the Victorian Government Motor Transport Committee, which was previously responsible for the use, purchase and disposal of motor vehicles used by government departments and instrumentalities, was disbanded.
- 1.1.4 The Government has developed a clearly defined policy on the use of motor vehicles and through the Directorate has issued guidelines to departments and public bodies. The Directorate has proved an effective organisation for developing motor vehicle fleet policies and procedures. Information on the responsibilities and activities of the Directorate is given in Appendix A to this report.

1.2 OBJECTIVES, SCOPE AND CONDUCT OF THE REVIEW

1.2.1 The overall objective of the review was to determine the extent to which government departments and public bodies had systems in place to effectively control the acquisition, use and disposal of motor vehicles.

1.2.2 Specifically, the review covered the existence and practical application of policies and procedures for the acquisition and disposal of motor vehicles, encompassing:

- (1) the identification of the need for vehicles;
- (2) the acquisition of appropriate vehicles; and
- (3) purchase and disposal.

1.2.3 The review also determined the extent to which effective vehicle recording and reporting systems were maintained and used to monitor and control vehicle usage, maintenance, security, accidents and performance.

1.2.4 To obtain an adequate representation of public sector bodies, approximately 30% of the total State Government fleet was reviewed, comprising the following 7 organisations:

Departments

Department of Conservation,
Forests and Lands
Health Department Victoria
Ministry of Education
Ministry of Housing

Public Bodies

Gas and Fuel Corporation
Port of Melbourne Authority
Road Construction Authority

1.2.5 The organisations examined operated approximately 6 300 vehicles with an overall estimated value of \$63 million at 30 June 1986. Operating costs, excluding depreciation, were estimated to be \$22 million in 1985-86.

1.2.6 Based on the objectives of the review, audit assessed the design and performance of management systems and controls involved in the acquisition, use and disposal of motor vehicles against desirable management criteria, which are detailed in Appendix B to this report.

1.2.7 Discussions were held with senior officers of the organisations concerned prior to the commencement of the review to ensure the reasonableness and applicability of the desirable management criteria and at the completion of the review to communicate the findings prior to the finalisation of this report. Matters of significance, together with relevant related comments from the organisations, are included in Sections 2.1 to 2.7 of the report.

1.2.8 Recommendations contained in this report have been developed to assist all operators of government vehicles in enhancing the efficient and economic management of their fleets.

1.3

OVERALL FINDINGS AND RECOMMENDATIONS

- 1.3.1 The major findings and recommendations arising from the review are set out below. It is pleasing to note that the organisations reviewed have already responded positively and are taking steps to address the issues raised in this report.

VEHICLE MANAGEMENT INFORMATION SYSTEM DEFICIENCIES

- 1.3.2 Data maintained in the vehicle fleet management information systems examined were found to be incomplete and, in many instances, inaccurate.
- 1.3.3 While the systems provided general costing information, there was no evidence that industry or in-house standards had been used to assist in the monitoring of individual vehicle performance.
- 1.3.4 The majority of organisations were unable to use their vehicle management information systems to produce effective operating cost and performance reports on either individual vehicles or the overall fleet.

Recommendations:

- . that the Directorate continue its efforts to develop and recommend the minimum level of essential information to ensure effective vehicle fleet management;
- . that, where possible, a uniform vehicle management information system be adopted;
- . that the Directorate specify industry or public sector-derived performance standards for vehicle and fleet operations;
- . that organisations ensure the accuracy, completeness and timeliness of data recorded in their vehicle management information systems.

NEED FOR RATIONALISATION OF VEHICLE FLEETS

- 1.3.5 Inadequate procedures for evaluating the continuing need for replacement vehicles, together with the use of red plate vehicles for private purposes and the failure of vehicle management information systems to provide the information necessary to effectively monitor vehicle utilisation, led audit to conclude that the government motor vehicle fleet contained some vehicles surplus to requirements.
- 1.3.6 The number of vehicles surplus to requirements could not be readily determined given the general inadequacy of management information systems and the difficulty of precisely quantifying the level of private use of red plate vehicles.

Recommendations:

- . that the Directorate develop procedures to ensure that a thorough assessment of need for replacement vehicles is carried out;

- . that organisations ensure that government policies and procedures as issued by the Directorate concerning the private (commuting) use of red plate vehicles are followed;
- . that an objective of organisations' vehicle management information systems should be the generation of management reports to identify under and over utilisation of vehicles and the existence of any surplus vehicles;
- . that instances of dedicated use of red plate vehicles should be minimised.

OVERSERVICING OF VEHICLES

1.3.7 Compared with organisations that used independent service centres, those organisations that serviced their own vehicles:

- incurred more than twice the repair and maintenance costs per vehicle,
- serviced their vehicles more frequently, and
- retained vehicles for longer periods, with a number of documented instances being noted where these vehicles incurred higher operating and changeover costs.

Recommendations:

- . that the Directorate develop and promulgate appropriate performance standards for the repair and maintenance of vehicles;
- . that organisations monitor the repair and maintenance costs for their fleets against such performance standards;
- . that organisations with their own workshops critically evaluate the cost effectiveness of the service provided;
- . that options such as extending service to other organisations on a cost recovery basis be investigated where workshops are shown to be under utilised;
- . that where options such as extension of service cannot be achieved consideration be given to rationalising the facility.

HIGH ACCIDENT RATES

1.3.8 Examination of the available statistical data concerning vehicle accidents at the 7 organisations indicated that, for the approximately 4 200 vehicles on which accident data were maintained, there had been some 1 400 reported accidents during 1985-86.

1.3.9 The most effective method of reporting accident rates is by distance travelled per accident but, in the absence of this information in most of the organisations reviewed, audit calculated the accident rate on the basis of fleet totals. This gave a rate of 33%.

1.3.10 Two extremes in accident rates were noted within organisations. In one, its passenger buses had a rate twice the average for its total fleet, while at another, vehicles which were driven by officers who knew that they would eventually purchase them incurred an accident rate which was lower than the average for that organisation's overall fleet.

Recommendations:

- . that all organisations adequately monitor and investigate accidents involving their vehicles;
- . that the Directorate collate State-wide accident statistics and initiate and monitor an active program of accident reduction throughout the State;
- . that the need and scope for driver training be investigated by the Directorate, with particular emphasis on training for officers required to drive specialist vehicles and on those who have a history of accidents.

OTHER ISSUES

1.3.11 The review also identified instances of:

- payment of allowances for the use of private vehicles where more cost effective methods were available;
- sale price of certain vehicles set consistently below the average trade price for similar vehicles;
- delays of up to 20 months in the payment of fuel accounts in one organisation, putting the availability of credit facilities at risk; and
- delays in 2 organisations in registering vehicles and paying third party insurance premiums, resulting in vehicles being used when unregistered and uninsured.

Recommendations

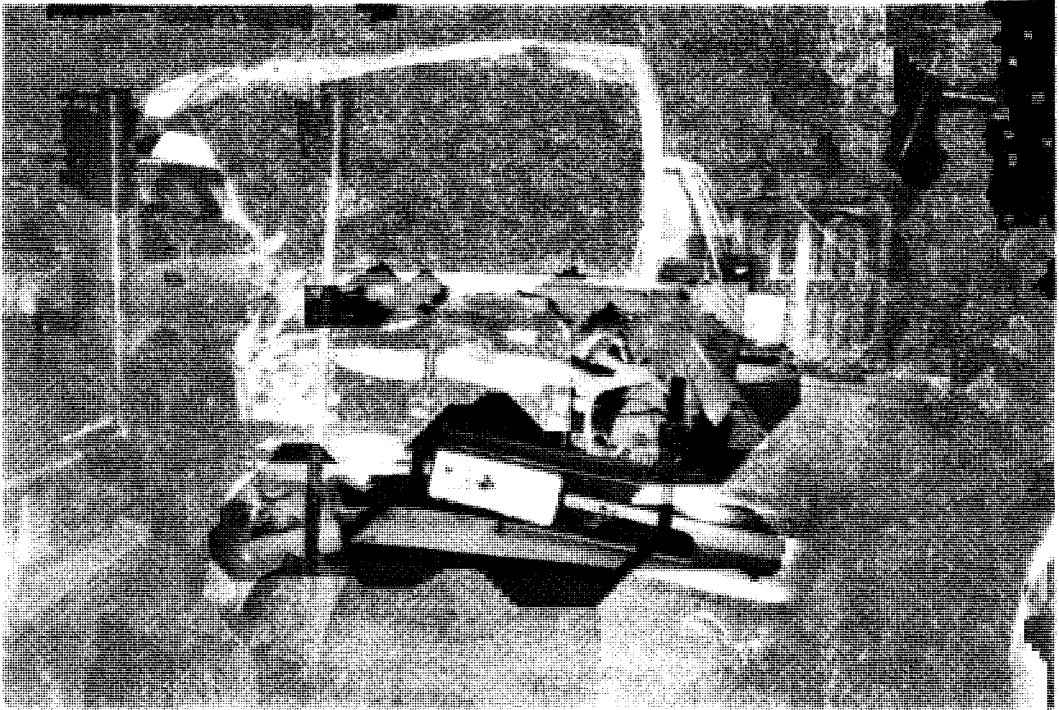
- . that all organisations evaluate the most cost effective method of acquiring transportation before deciding to pay allowances to officers for the use of private vehicles;
- . that organisations choose the method of vehicle disposal which offers the best financial return after all disposal costs and market conditions have been taken into account;
- . that procedures be followed to ensure the prompt payment of accounts and that vehicles are at all times registered and insured.



Red plate vehicles parked during the day.



Workshop for in-house vehicle maintenance.



Accident damaged sedan garaged for insurance assessment.



Commercial style vans awaiting commissioning.

PART 2

REPORTS ON ORGANISATIONS WHICH FORMED PART OF THE REVIEW

2.1

DEPARTMENT OF CONSERVATION, FORESTS AND LANDS

BACKGROUND

2.1.1 At 30 June 1986 the Department operated a fleet of 1 586 motor vehicles comprising:

- 169 passenger sedans
- 201 station wagons
- 1 216 light trucks and other commercial vehicles

2.1.2 The total capital cost of the fleet was estimated to be \$14.3 million at 30 June 1986. Operating costs including fuel, maintenance, repairs, registration, insurance and tyres were estimated to be \$4.7 million in 1985-86.

SUMMARY OF AUDIT OBSERVATIONS

2.1.3 Significant matters arising from the review were:

- There was inadequate substantiation of the evaluations made of the continuing need for replacement vehicles.
- Audit observed that the Department generally did not have adequate management information systems and procedures in place to effectively monitor the performance of its large motor vehicle fleet. There was a lack of adequate management reports and the information systems contained incorrect data.
- The Department did not enforce its vehicle disposal procedures. Some vehicles replaced up to 20 months previously had not been disposed of and were still being used by the Department at the time of the review, resulting in an unauthorised increase in fleet size.
- Appropriate accident data were not collated and analysed.
- There were delays in registering vehicles and paying for third party insurance and fuel.

OBSERVATIONS AND DEPARTMENTAL RESPONSES

Vehicle Replacement

2.1.4 Failure to adequately review changes in workloads or work methods before replacing vehicles may result in the acquisition of excess or inappropriate vehicles and may lead to unnecessary capital and operating costs. Evaluations undertaken by the Department to assess changes in vehicle requirements prior to vehicle replacement were not documented and could not be substantiated.

Departmental Response

All vehicle replacements are subject to close scrutiny taking into account both operational requirements and financial considerations. A review of transport needs by regions, in the light of the current budget, is currently in progress and in future such deliberations will be documented.

Effectiveness of Vehicle Management Information System

- 2.1.5 The Department had a computerised system for recording the operating costs of its vehicle fleet which was updated by information from log sheets and invoices. The system produced a number of reports including a report on vehicle operating expenditure and the total kilometres travelled by each vehicle. Considerable resources were used in the input of data to this system and the production of its reports.
- 2.1.6 The review indicated that the Department was not analysing or reviewing the reports produced. The report on vehicle operating expenditure was inaccurate and audit was unable to substantiate figures on the operating costs of the vehicles. Examples of significant inaccuracies in the report, which arose as a result of a lack of proper controls, were:
- Fuel invoices totalling approximately \$40 000 covering numerous vehicles were charged to one vehicle.
 - The entire fleet's insurance premium of some \$193 000 was charged to a single vehicle and recorded as maintenance.
 - Log sheets were not processed on a timely basis, therefore it was not possible to make valid comparisons of fuel consumption figures and costs from the reported information. Instances were identified of vehicles which had not travelled any kilometres but which had apparently used fuel.

Departmental Response

The \$39 758 worth of fuel invoices debited against MXI-000 were debts incurred by two of the previous agencies of this Department some 12 to 18 months previously. Because of a combination of work pressures in the Department's Financial Management Branch and the fact that the invoices were so old, as a once-off operation normal costing procedures were not carried out.

As a matter of expedience, with the intention of effecting subsequent transfer of debit to appropriate vehicles, the entire fleet's insurance premium of \$192 647 was debited against MXH 026. However, because of work pressures this transfer was not followed through.

The Department converted to a computerised financial management system, operative as from 1 July 1986, which integrates with the Department's vehicle reporting system.

Disposal of Vehicles

- 2.1.7 The Department did not always promptly dispose of vehicles when their replacements had been acquired. The Department's practice of temporarily allocating vehicles, which are due to be auctioned, for seasonal demands such as fire suppression had led to a significant number of vehicles which ought to have been sold remaining in use. This had the effect of exceeding the authorised size of the fleet.

- 2.1.8 Records were inadequate in that they did not identify these vehicles, with the result that management encountered difficulty in locating them. The review identified 38 vehicles which had been replaced up to 22 months previously but not disposed of. Many of these vehicles had travelled distances greater than 100 000 kilometres and may have been operating uneconomically, as servicing and maintenance costs become excessive for vehicles which have travelled these distances.

Departmental Response

This Department has, to an extent, relied on the practice of retaining some replaced vehicles in order to meet its transport requirements. Cessation of this practice has placed a heavy demand on the remaining vehicles and the Department does not envisage any becoming surplus to requirements in the foreseeable future.

All held-over vehicles have now been withdrawn from service.

Use of Vehicles for Commuting Purposes

- 2.1.9 Procedures relating to travel to and from work which are laid down in the Directorate's policies and procedures manual have been reinforced by the Department with the issue of instructions on various matters including the private use of red plate vehicles for commuting between home and work.

Departmental Response

Steps have been taken to restrict the use of Departmental vehicles for home commuting purposes in accordance with Directorate guidelines. These include:

- . operation of vehicles on a pool basis,*
- . the issue of instructions to authorising officers, detailing circumstances under which they exercise their authority,*
- . the issue of instructions concerning details to be entered in vehicle log books.*

Accidents

- 2.1.10 At the time of the review standard procedures for investigating all accidents were not in place and investigations were still being carried out in accordance with the practices of the former agencies which were amalgamated to form the Department.
- 2.1.11 Although the Department had not established a centralised Accidents Investigation Committee as required in guidelines issued by the Directorate, a register had been set up on 1 October 1985 which recorded details of all accidents for which claims had been registered with the State Insurance Office (SIO). This register recorded 114 claims with SIO for the period 1 October 1985 to 24 February 1986.
- 2.1.12 Eight accidents occurred while the vehicles were not covered by third-party insurance. Claims resulting from one of these accidents have been made and these are being handled by the Office of the Crown Solicitor.

Departmental Response

Although no new formal instructions have been established for investigation of vehicle accidents it is general practice for such investigations to be carried out along the lines followed in the previous agencies. The need for across the Department procedures is recognised and an instruction is currently in the draft stage. Because of the regionalised structure of the Department the responsibility for investigating accidents will, except in exceptional circumstances, devolve on Regional Managers and the Manager of the Engineering and Technical Services Branch with oversight by the departmental Occupational Health and Safety Committee.

Delays in Payment of Operating Costs

- 2.1.13 The Department did not have adequate systems in place to ensure all vehicles were registered and insured against third party liability and as a result failed to register all its vehicles for a certain period both in 1984 and 1985. In 1984 the Lands Division vehicles were unregistered and uninsured for a period of 44 days. In 1985 all the Department's vehicles were unregistered and uninsured for a period of 42 days.
- 2.1.14 Audit testing indicated that all renewals for 1986-87 had been effected.

Departmental Response

It is acknowledged that the Department experienced problems in registering and providing third party insurance cover for its vehicles in 1985. These were to a large extent a consequence of the necessity to bring together all the vehicles, staff and procedures of the agencies which were amalgamated to form this Department. The problems experienced in 1985 have been rectified. Procedures have been documented to cover this operation in future.

- 2.1.15 The absence of proper systems led to long delays in payment for fuel purchases, in many cases up to 20 months. Long delays in payment early in 1986 resulted in the supplier advising that credit card facilities would be withdrawn if payment of all overdue moneys was not brought up to date.
- 2.1.16 Delays in the processing of fuel purchases resulted in incompleteness of data in the vehicle management information system.

Departmental Response

On 3 January 1986 a memorandum was issued to all Regions covering procedures applicable to the use of credit card facilities for fuel purchases. The Department has addressed the delays and payments of fuel accounts are now made promptly.

2.2

HEALTH DEPARTMENT VICTORIA

BACKGROUND

2.2.1 At 30 June 1986 the Department operated a fleet of 818 motor vehicles comprising:

550 passenger sedans and station wagons
268 commercial vehicles.

2.2.2 The capital cost of the fleet totalled approximately \$8 million at 30 June 1986. Annual operating costs could not be readily extracted by the Department from its financial reporting system but audit estimated these costs to be in excess of \$2 million.

SUMMARY OF AUDIT OBSERVATIONS

2.2.3 Significant matters arising from the review were:

- In general, departmental acquisition and disposal practices for the motor vehicle fleet were found to be satisfactory.
- Existing systems and procedures did not ensure effective management of the day to day operation of the Department's fleet.
- The accident rate for departmental passenger buses has risen to twice that for other vehicles in the fleet.
- Previous inadequacies in the systems for registering motor vehicles and for paying insurance and fuel accounts have been overcome.

OBSERVATIONS AND DEPARTMENTAL RESPONSES

Effectiveness of Vehicle Management Information Systems

2.2.4 Although the Department had management information systems dealing with motor vehicle fleet management, audit investigation showed them to be inadequate in that they did not provide information necessary for effective fleet management, including individual vehicle fuel purchases, kilometres travelled, extent of servicing and accident details. In addition, the Department did not have suitable standards to assist in the monitoring of vehicle performance and the early detection of any anomalies.

2.2.5 Inadequacies in the preparation of log books also contributed to deficiencies in the information provided by the management information systems.

Departmental Response

With the inadequacies of the present manual system in mind, the Department is investigating the installation of a computerised system of recording and reporting of all aspects of the Departmental fleet operation.

Failure by staff to complete vehicle log records as required has always been a cause for concern as well as the subject of many directives.

Notwithstanding this, action is continuing in an endeavour to rectify shortcomings in this area.

However, the Department believes that it is more appropriate and economic if the Government as a whole seeks to quickly introduce a service-wide system for fleet management information.

Accidents

2.2.6 The number of reported accidents increased from 32% in 1983-84 to 37% in 1985-86, as shown in Table 2.2A. The total assessed cost of accidents to departmental vehicles in 1985-86 was \$301 769.

Table 2.2A: Vehicle Accidents

<u>Year</u>	<u>Fleet (excluding Passenger Buses)</u>		<u>Passenger Buses</u>	
	<u>Number of Accidents</u>	<u>Accidents as a Percentage of Fleet</u>	<u>Number of Accidents</u>	<u>Accidents as a Percentage of Passenger Buses</u>
1983-84	204	31.7%	22	40.0%
1984-85	207	30.4%	45	58.4%
1985-86	273	37.2%	62	73.8%

2.2.7 The review found that the Department's passenger buses which are used to transport personnel, including patients, were involved in 62 accidents in 1985-86.

2.2.8 A major contributing factor to the high accident rate for buses was the relative inexperience of some of the drivers in driving passenger buses. "House parents" of community residential units, for example, were required to drive small passenger buses with which they may not have been familiar. It was noted also that drivers of departmental buses were not obliged to undergo any additional driving instruction.

2.2.9 The Department advised that, despite the number of accidents involving passenger buses, no injuries had been sustained by drivers or passengers.

2.2.10 Audit noted that results of the Department's Accident Investigation Committee included the suspension of one person from driving and the introduction of an accident kit which is now placed in every vehicle.

Departmental Response

The Department's Accident Committee has endeavoured to reduce the accident rate by arranging for defensive driving courses to be conducted by the Road Safety Division of the Road Traffic Authority for drivers of Departmental buses and by providing copies of defensive driving video cassettes to the Departmental Library for viewing by staff. In addition, arrangements have been made for drivers with poor driving records to attend driver training courses.

The effect of drivers continually changing from manual to automatic vehicles and vice versa and from small to large vehicles which is considered to be a substantial contributing factor in the high number of vehicle accidents is also being examined.

Specific training and testing of drivers of patient buses has, to date, been considered impractical due to lack of resources. The Accident Committee will, however, be requested to further investigate the feasibility of re-introducing this practice.

Use of Vehicles for Commuting Purposes

2.2.11 In January 1986 approval was given by the Department for 36 senior officers to use departmental vehicles overnight. Audit was advised that this action was taken following receipt of a Remuneration Review Committee document entitled "Government Car Policy - Senior Executives" which detailed the government policy for providing motor vehicles to certain officers under the Senior Executive Service (SES) Car Scheme.

2.2.12 However, the policy does not provide for departmental vehicles with red number plates to be used to commute between home and office, therefore the overnight use of the vehicles by those officers was contrary to government policy.

Departmental Response

The Premier's directions concerning introduction of the Government car policy for Senior Executives has been substantially implemented in respect of the Senior Executive Car Scheme participants and fully implemented in respect of red plate vehicles. The extension of this scheme to cover Senior Executive Service 3 and 4 officers has enabled the Department to proceed quickly to elimination of the practice.

The Department has been very diligent in meeting its responsibilities within Government car policy.

Payment of Operating Costs

2.2.13 Due to inadequacies in departmental procedures the motor vehicle fleet was unregistered and without third party insurance cover during the period 1-19 August 1985. The Department advised audit that during this period departmental vehicles were involved in a number of accidents which resulted in vehicle damage only and these were covered under the Department's comprehensive insurance with SIO.

2.2.14 Audit testing indicated that at 30 June 1986 all departmental vehicles were registered and insured.

Departmental Response

Procedures for annual renewal of registration and insurance of vehicles have been revised in order to prevent a similar occurrence in the future to that reported by audit.

2.3

MINISTRY OF EDUCATION

BACKGROUND

2.3.1 At 30 June 1986 the Ministry operated a fleet of 338 motor vehicles comprising:

- 264 passenger sedans
- 23 station wagons
- 51 commercial vehicles.

2.3.2 The capital cost of the fleet was estimated by audit to be in the vicinity of \$2.2 million. Operating costs which include fuel, maintenance, tyres and insurance exceeded \$749 000 in 1985-86.

SUMMARY OF AUDIT OBSERVATIONS

2.3.3 Significant matters arising from the review were:

- The acquisition and disposal of motor vehicles was satisfactorily controlled by the Ministry.
- There were doubts as to the integrity of the data contained in the vehicle management information systems and the Ministry had not adopted appropriate standards for vehicle performance measurement.
- The Accident Investigation Committee established by the Ministry did not investigate the circumstances of all accidents when they occurred and the Ministry did not maintain suitable records of all accidents.

OBSERVATIONS AND MINISTRY RESPONSES

Effectiveness of Vehicle Management Information System

2.3.4 Whilst the examination of the management information system indicated that the system provided facilities for monitoring motor vehicle operating costs and performance, there was no evidence of this being undertaken by the Ministry. The examination also revealed that certain information in the system was inaccurate and incomplete and that standards for performance assessment had not been adopted.

2.3.5 Examples of significant matters which detracted from the usefulness of the Ministry's information system were:

- Vehicle log sheets were inaccurate and not submitted on a timely basis. At the time of the review 20% of log sheets were outstanding for periods exceeding 2 months.
- There were data processing errors in recording distances travelled. Samples indicated variations up to 14% between the total recorded on the management information system and the actual odometer reading.
- Repairs and maintenance costs recorded for each vehicle included the cost of accident repairs. This practice distorts the repair and maintenance costs of individual vehicles and could be misleading when evaluating and monitoring repair and maintenance costs of individual vehicles.

2.3.6 Audit conducted an examination of fuel cost per kilometre travelled for a number of vehicles which highlighted significant variations ranging from 0.7 cents to 7.2 cents in fuel operating cost per kilometre for vehicles of the same class.

Ministry Response

It needs to be kept in mind that the computer system is still in the development stage. When fully operational it will produce a range of reports which will highlight variances from standard performance criteria - bearing in mind that there are a range of criteria influencing operating performance. The Ministry considers the computerised recording of the fleet operations to be a progressive step in keeping with efficient and effective management reporting.

The comments about delays in the submission of log sheets have been noted and action will be taken to draw the attention of all officers to the need for timely submissions.

Accident repair costs will be recorded under separate headings.

Accidents

2.3.7 An Accident Investigation Committee was established on 28 November 1985 to investigate fully the circumstances of all accidents in which the Ministry's vehicles were involved. The Committee held an inaugural meeting on that date but a second meeting was not held until 27 May 1986, notwithstanding that 30 accidents had occurred during this period.

2.3.8 It was also noted that the records maintained by the Ministry as to the number of vehicles involved in accidents were deficient in that:

- a complete record of all accidents was not kept; and
- there was no system for recording outstanding amounts in respect of claims submitted to SIO.

2.3.9 Failure to investigate all accidents and maintain sufficient records can prevent the recovery of costs and the identification of poor driving practices.

Ministry Response

The function of the Committee which is headed by a Senior Officer is to investigate all accidents and take appropriate follow-up action. The Ministry will arrange for more regular meetings of the Committee.

2.4

MINISTRY OF HOUSING

BACKGROUND

2.4.1 At 30 June 1986 the Ministry operated a fleet of 256 motor vehicles comprising:

167 passenger sedans
61 station wagons
28 commercial vehicles.

2.4.2 The written down value of the fleet, i.e. the cost after allowing for depreciation, was approximately \$1.7 million at 30 June 1986. Operating costs which included fuel, maintenance, insurance and tyres amounted to \$519 000 in 1985-86.

SUMMARY OF AUDIT OBSERVATIONS

2.4.3 Significant matters arising from the review were:

- While the Ministry had systems and procedures in place to effectively control the operation of its motor vehicle fleet, inaccuracies in recorded data and lack of suitable performance standards impaired the effectiveness of fleet management operations.
- There was inadequate substantiation of evaluations made of the continuing need for replacement vehicles to prevent the purchase of unnecessary or unsuitable vehicles.
- Accident data to assist the proper monitoring and control of motor vehicles were not maintained.

OBSERVATIONS AND MINISTRY RESPONSES

Vehicle Replacement

2.4.4 Justification for the continuing need for replacement vehicles could not be substantiated by audit as motor vehicles were replaced without the Ministry carrying out a properly documented evaluation of any changes in workload or work methods affecting vehicle requirements.

2.4.5 Without a proper evaluation the Ministry may acquire vehicles in excess of its needs, resulting in unnecessary capital and operating costs and under utilisation of existing vehicles:

Ministry Response

Ongoing contact with users ensures an updated knowledge of vehicle requirements, thus a formal investigation is unnecessary.

Effectiveness of Vehicle Management Information System

- 2.4.6 Evidence showed that management was not reviewing the motor vehicle expenditure report produced by the Ministry's cost recovery system. This report contained significant inaccuracies and, as a consequence, the Ministry did not have reliable figures on vehicle performance. When comparing vehicle operating costs it is essential that the information produced on vehicle performance is accurate, otherwise comparisons of vehicle performance become meaningless.
- 2.4.7 Audit examination highlighted many examples of high fuel costs within certain classes of vehicles compared with the fleet average for that class.
- 2.4.8 The Ministry had not adopted suitable standards which would enable monitoring of vehicle performance and the early detection of anomalies. As an example, an audit examination of log sheets indicated that 74.3 litres of fuel was purchased for a vehicle with a fuel tank capacity of 53 litres on 2 successive days during which time the vehicle travelled only 54 kilometres.
- 2.4.9 Details relating to distance travelled by the fleet were not readily available because of inaccuracies in management reports.
- 2.4.10 Using the manual cards maintained by the Ministry audit calculated the average yearly distance travelled for passenger vehicles at approximately 23 300 kilometres contrasting with audit's premise that each vehicle ideally should travel 25 000 kilometres per year. This raised for audit the issue of whether the Ministry's work could be performed at the same level with fewer vehicles.
- 2.4.11 Audit examination of the log sheet returns and the summary for the month of January 1986 revealed that approximately 30% of the log sheets had not been received by the Transport Section one week after they were due and also that some log sheets for previous months were not received by the Transport Branch until 3 to 4 weeks after the due date. It was also noted that in the majority of cases log sheets were not satisfactorily completed.
- 2.4.12 Failure to ensure the satisfactory completion of log sheets may lead to undetected unauthorised use of vehicles and incorrect reports which will adversely affect the management decision-making process in respect of the control of the operation of motor vehicles.
- 2.4.13 Failure to submit log sheets and fuel docket led to delays of up to 3 months in payment of fuel accounts.

Ministry Response

An effective monthly report on motor vehicle expenditure has been in place since July 1985. This report matches mileage travelled by each vehicle for the 1985-86 financial year against expenditure incurred for the corresponding period and there is an ongoing review of all computer generated motor vehicle reports. Among the changes to be made in the near future will be the provision of exception reports to highlight "off trend" vehicle running costs.

The Ministry engaged an officer to undertake a review of the administrative functions in the Management Services Division. Part of the brief for this officer was to develop administrative systems and procedures which would provide far more efficient and effective management of transport. When these systems are operational, the Ministry will be in a better position to accurately assess its motor vehicle needs.

The low standard of completion and prompt return of log sheets has been an ongoing problem. The amount of time involved in chasing up the responsible officers is considerable; however, efforts will continue in this area. Improvements to the system for paying fuel accounts have led to these accounts now being paid promptly.

Accidents

2.4.14 Over the past 6 years Ministry motor vehicles have been involved in a significant number of accidents. Details of the number of vehicles involved in accidents during this period, expressed as a percentage of the total fleet, are shown in the following table:

Table 2.4A : Vehicle Accidents

<u>Year</u>	<u>Number of Accidents</u>	<u>Accidents as a Percentage of Total Fleet</u>
1980-81	48	25.7%
1981-82	44	24.7%
1982-83	68	32.5%
1983-84	63	29.4%
1984-85	103	40.8%
1985-86	73	28.5%

2.4.15 Insufficient records were maintained by the Ministry to indicate which accidents were the fault of a third party and the related costs. Furthermore, there was no system for recording outstanding amounts in respect of claims submitted to SIO.

Ministry Response

It is very difficult for the Ministry to determine the degree of "fault" attributable to any party involved in a motor vehicle accident, and thus it relies upon the State Insurance Office for information as to fault and costs incurred. Unfortunately, this information is not readily available to the Ministry.

Advice is received from the Motor Vehicle Accident Investigation Committee as to whether an employee with a bad driving record should continue to be allocated a vehicle. An analysis of accident prone vehicles, employment categories/drivers will be produced and used for identifying priorities for staff to attend defensive driving courses.

2.5

GAS AND FUEL CORPORATION

BACKGROUND

2.5.1 At 30 June 1986 the Corporation operated a fleet of 2 505 motor vehicles comprising:

972 passenger vehicles
1 533 commercial vehicles.

2.5.2 The written down value of the fleet, i.e. the cost after providing for depreciation, was approximately \$18.2 million at 30 June 1986. Operating costs which include fuel, maintenance, registration, insurance and overhead expenses amounted to approximately \$11.4 million in 1985-86.

SUMMARY OF AUDIT OBSERVATIONS

2.5.3 Significant matters arising from the review were:

- Overall, the Corporation's acquisition and disposal procedures for its motor vehicles were satisfactory although disposal of privately registered Corporation vehicles did not always result in the best financial return.
- The vehicle management information system provided the facility for monitoring motor vehicle operating costs and performance. However, certain information in the system was inaccurate and incomplete.
- Internal servicing times scheduled by the Corporation exceeded the standard times recommended by the Directorate.
- Allowances for usage of certain private vehicles were based on estimated rather than actual distances travelled.
- There was a need for monitoring the use of red plate vehicles for travel between the work place and home.
- The Corporation's overall vehicle accident rate had declined but was still high compared with the rate for privately registered Corporation vehicles.
- There was scope for reduction in the size of the Corporation's motor vehicle fleet.

OBSERVATIONS AND CORPORATION RESPONSES

Acquisition and Disposal of Vehicles

2.5.4 The Corporation was satisfactorily controlling the acquisition and disposal of motor vehicles in its fleet. Nevertheless, audit considered that a weakness existed in arrangements for disposal of privately registered Corporation vehicles.

2.5.5 The Corporation provided approximately 200 privately registered vehicles to certain employees, who were required to travel between 10 000 and 20 000 kilometres per year on Corporation business, under arrangements known as Schemes G and P.

- 2.5.6 Scheme G vehicles are owned by the Corporation and placed in the sole custody of employees who are responsible for all running expenses. The employees are then reimbursed for these expenses at an approved rate per kilometre travelled for business purposes. The vehicles are normally sold to the employee after a period of 2 years and then become known as Scheme P vehicles.
- 2.5.7 Under Scheme P the employee owns the vehicle and is therefore responsible for all vehicle costs, both fixed and variable. The Corporation reimburses the employee for using the vehicle on Corporation business by a fixed monthly payment which covers 1/12 of fixed annual costs and a variable monthly payment per kilometre travelled on Corporation business.
- 2.5.8 Total payments to employees in respect of Schemes G and P during 1985-86 amounted to \$571 945.
- 2.5.9 This method of acquiring, using and disposing of vehicles is not covered by government policy, there is an absence of proper control over the distance travelled, and drivers are not required to maintain log books.
- 2.5.10 An audit examination of the sale of Scheme G vehicles to employees revealed that the sale price to the employee was on average \$1 000 below the average trade price of similar vehicles, without optional extras such as air conditioning and automatic transmission which are commonly found on Scheme G vehicles. Examples of the variations between disposal prices were provided to the Corporation following the review.
- 2.5.11 In audit opinion the Corporation had not obtained the best financial return from this method of disposal. The cost to the Corporation in 1985-86 was approximately \$30 000.

Corporation Response

Schemes G and P were adopted by the Corporation Board as being the most appropriate and economical method of transporting officers involved in specific types of duties. Omission of the description and detail from the Directorate's Policy Manual does not of necessity support the contention that this scheme "is not covered by Government policy". Public Sector reviews over many years have scrutinized the Corporation schemes as part of the many transport policies operating within the State Utilities. Officers are reimbursed for business distances travelled only after submission of a monthly Claim detailing daily business running and subsequently approved by a Departmental Manager. This control is far more exacting than a log book system.

As the vehicles are sold at prices determined from commercial trade indices the Corporation is unable to follow the audit contention on this aspect.

Effectiveness of Vehicle Management Information System

- 2.5.12 Audit examination of the existing motor vehicle reporting system indicated that it provided the facility for monitoring motor vehicle operating costs and performance. However, certain information in the system was inaccurate and incomplete due to failure to submit log books on a timely basis and data entry errors.

- 2.5.13 This reduced the effectiveness of the system for properly monitoring the use and performance of vehicles in the fleet.
- 2.5.14 At the time of the review the Corporation was in the process of developing a transport reporting system which will eventually provide technical, operational and management information on individual vehicles and the fleet in total.

Corporation Response

The Corporation transport information system and data base is part of the Corporation's mainframe data base and is generally created and maintained as a by-product of the Costing and Stores System. All systems experience varying degrees of shortfall at the data capture stage, but the level experienced by the Corporation does not render the system "unreliable" or grossly inaccurate. Automatic "estimating" computer programmes smooth out the effect of inaccurate data on the system, and this, together with the aggregate and up-dating process over the full life of a vehicle, ultimately nullifies the inaccuracies.

Vehicle Service and Maintenance

- 2.5.15 The Corporation services, maintains and commissions its vehicles at several workshops, the major one being at Clayton. At 30 June 1986 the number of mechanics and assistants at the various workshops was 102.
- 2.5.16 Costs of servicing and maintaining vehicles are recorded in the costing system with the information held being processed from time cards, invoices, etc. The Corporation does not use standards for determining whether or not times spent on service and maintenance of vehicles are within acceptable levels but it does compare actual distances travelled and costs incurred by groups of vehicles and the fleet in general against budget estimates.
- 2.5.17 A review of service and maintenance time spent by workshop personnel and distances travelled by various vehicle groups during 1985-86 indicated that the service time scheduled by the Corporation exceeded the service time recommended by the Directorate. The additional time varied between 33% for sedans and 433% for trucks. The Corporation advised that more frequent servicing intervals are required to facilitate the operation of the preventive maintenance program.
- 2.5.18 The review also indicated that the maintenance cost per kilometre of certain aged panel vans was as high as 25 cents per kilometre. A contributing factor to the high maintenance costs of these vehicles is the need for unscheduled maintenance and emergency repair work which could have been avoided if the vehicles had been disposed of at the appropriate time.

Corporation Response

The Corporation determines standards of servicing and maintenance through the more effective process of monitoring performance on the workshop floor and records such by charging direct labour against each job. The in-service life of a vehicle and hence the level of repairs and maintenance acceptable is determined by modelling the equivalent annual cost of the vehicle for a minimum figure.

The Corporation deliberately adopts service schedules in excess of the Manufacturers' and Directorate's recommendations because of the need for preventative maintenance on a scheduled programme to improve the fleet's reliability and thereby its ability to respond to public requests for service and/or emergency.

Allowances for Use of Private Vehicles

- 2.5.19 Twenty six senior personnel considered by the Corporation to have a demonstrated need to use a vehicle for representing the Corporation were paid an allowance for using their own vehicles on Corporation business. Vehicles to which this arrangement applied were known as Scheme E vehicles. The Scheme has been in existence for a number of years.
- 2.5.20 Annual allowances payable from 5 May 1986, the date of the latest increase, amounted to \$73 625.
- 2.5.21 As there was no requirement for drivers receiving the allowances to keep a record of journeys travelled on Corporation business, audit was unable to ascertain whether the distances for which the allowances were paid were actually travelled.

Corporation Response

The Corporation has now adopted the Victorian Government Senior Executive Service (SES) vehicle scheme in place of Scheme E; however, Scheme E was adopted by the Board of the Corporation as the most suitable and economic arrangement for certain classes of senior executives. The car allowances paid were subject to periodic review in relation to the assessed level of expected business use and the amounts included on the officer's Group Taxation Certificate. The officer either substantiated the business distances or paid tax as a fringe benefit.

Use of Vehicles for Commuting Purposes

- 2.5.22 While investigating the use of red plate vehicles, audit observed that the car parks at head office and the Clayton office, which were normally full during the day, were almost empty at night.
- 2.5.23 Audit was advised that certain Corporation employees were required to take vehicles home because they were "on-call" 24 hours a day, whilst other employees took vehicles home because they visited work sites first thing in the morning and last thing at night en route to and from home.
- 2.5.24 The Corporation has directed that red plate vehicles not be used to commute on a regular basis.

Corporation Response

The Corporation has a strict policy regarding the use of red plated vehicles, which does not include commuting other than as part of the need to commence or finish in the field. Many vehicles are specially fitted for after hours call-outs or supervisory field duties, but notwithstanding this, all vehicle use is subject to Departmental Manager approval prior to allocation for such duties.

Accidents

- 2.5.25 The Corporation has an accident prevention section which is responsible for ensuring the effectiveness of the Corporation's accident prevention programs and the preparation of accident statistics.
- 2.5.26 Table 2.5A gives details of the number of accidents involving Corporation vehicles over the 3 year period 1983-84 to 1985-86, while Table 2.5B shows the frequency of accidents in terms of kilometres travelled over the same period.

Table 2.5A: Vehicle Accidents

<u>Year</u>	<u>Fleet (excluding Scheme G Vehicles)</u>		<u>Scheme G Vehicles</u>	
	<u>Number of Accidents</u>	<u>Accidents as a Percentage of Fleet</u>	<u>Number of Accidents</u>	<u>Accidents as a Percentage of Scheme G Vehicles</u>
1983-84	778	34.6%	26	20.3%
1984-85	777	33.8%	30	29.7%
1985-86	770	32.1%	25	28.3%

Table 2.5B: Frequency of Accidents

<u>Year</u>	<u>Average Kilometres per Accident</u>	
	<u>Total Fleet</u>	<u>Scheme G Vehicles</u>
1983-84	51 000	107 000
1984-85	52 000	89 000
1985-86	56 000	115 000

- 2.5.27 The tables show that the frequency of accidents for the Corporation fleet has reduced. Audit acknowledges the results achieved by the Corporation in reducing its motor vehicle accident rate but considers that measures to further reduce the rate need to be implemented.
- 2.5.28 It is significant that the accident rate for Scheme G vehicles which, after 2 years are owned by their drivers, was consistently lower than that of other Corporation vehicles.

Corporation Response

The observation on the differences is interesting, but without further research, inconclusive, e.g. propensity of G Scheme drivers to not report each minor panel incident because of insurance classification penalties on transfer to P Scheme.

The Corporation operates a comprehensive accident prevention programme and the results show an annual improvement. The programme will be continued to further reduce the current rates.

Utilisation of Motor Vehicles

2.5.29 One of the desirable management controls discussed with the Corporation was that there should be regular reviews of the usage of motor vehicles to ensure full utilisation consistent with the particular use of the vehicle. In the absence of a Corporation standard, audit used 25 000 kilometres as an average distance for a sedan to travel in any one year.

2.5.30 Table 2.5C indicates the average distances travelled during 1985-86 by each Corporation vehicle group.

Table 2.5C: Distances Travelled

<u>Vehicle Group</u> <u>Description</u>	<u>Number of Vehicles</u> <u>in Group</u>	<u>Million Kilometres</u> <u>Travelled</u> <u>1985-86</u>	<u>Average Kilometres</u> <u>Travelled</u> <u>per Vehicle</u> <u>1985-86</u>
Sedans	877	18.3	21 000
Utilities	123	2.2	18 000
Light Vans	544	11.1	20 000
Medium Vans	325	3.6	11 000
Trucks			
(under 2.5 tns)	170	2.0	12 000
Trucks and Vans			
(over 2.5 tns)	337	3.1	9 000

2.5.31 None of the red plate vehicle groups identified in Table 2.5C achieved an average distance of 25 000 kilometres. It is recognised that the particular use made of vehicles of a technical nature, e.g. utilities, panel vans and trucks, may be such that the distances travelled are reasonable and consistent with the type of vehicle. Nevertheless, it is considered that some of the Corporation's vehicles may be under utilised, particularly as distances travelled by such vehicles for commuting purposes cannot be quantified.

2.5.32 In audit opinion there may be opportunities to rationalise the number of sedans in the fleet without affecting the level of customer service.

Corporation Response

These comments deal with a difficult area of fleet management and there is always room for improvement. The matter receives continuous attention and the objective is to provide and use vehicles as a "working tool" readily available and in the most effective manner, designed to maximise cost-efficiency in the Corporation's operations. No single, standard, acceptable km per annum is recognised, except where, for a particular class of vehicle doing a particular class of duty, it is shown to be an appropriate and effective yardstick. There is no evidence that the 25 000 km/annum figure is relevant.

In fact, equivalent annual cost modelling and sales tax exemptions based on 2 years/40 000 km dictate a figure to the contrary.

- 2.5.33 Audit does not consider minimum limits for sales tax exemptions to be a relevant standard for measuring effective vehicle usage.

Delays in Commissioning Certain Vehicles

- 2.5.34 All new vehicles are delivered to the Corporation's Clayton workshop for commissioning. The resources required to commission a new vehicle are dependent on the type of vehicle. Commissioning can vary from relatively straight forward tasks of adhering logos and installing two-way radios to more complex tasks such as the fitting out of trucks and vans with tool boxes, racks and other specialised equipment.
- 2.5.35 During 1985 the Corporation commenced a program to progressively replace the ageing panel vans in the fleet with commercial style vans at a cost of approximately \$8 million over a 3 year period.
- 2.5.36 An examination of the time taken to put new vans into service revealed that there were delays of up to 6 months in 1985 in commissioning these vehicles. Although the length of the delays had been reduced, at the time of the review in 1986 there were 49 new vans which had been waiting 1 - 3 months to be commissioned.
- 2.5.37 These delays resulted in the Corporation meeting payments for registration and insurance for vehicles which were not actually in use, and continuing to incur high servicing and maintenance costs for old vehicles due to be replaced.

Corporation Response

The forty-nine units identified in the audit were part of a special project which included non-standard fitout and the need for participation and continual consultation with user departments, union representatives and Occupational Health and Safety Committees, and as a consequence were not strictly representative of the commissioning time for this type of unit and the time achieved after acceptance of the design layout concepts.

2.6

PORT OF MELBOURNE AUTHORITY

BACKGROUND

2.6.1 At 30 June 1986 the Authority operated a fleet of 175 motor vehicles comprising:

46 passenger sedans
28 station wagons
101 commercial vehicles.

2.6.2 The written down value of the fleet, i.e. the cost after providing for depreciation, was \$1.32 million at 30 June 1986. Operating costs which included fuel, maintenance, registration and insurance exceeded \$774 000 in 1985-86.

SUMMARY OF AUDIT OBSERVATIONS

2.6.3 Significant matters arising from the review were:

- There was satisfactory control over the acquisition and disposal of vehicles but the retention of vehicles for periods in excess of their economic life led to instances of high maintenance and repair costs and high changeover costs.
- Repairs and maintenance costs were excessive due to over servicing of vehicles.
- Generally, sound information systems were in place for managing the Authority's motor vehicle fleet. However, the usefulness of the reports produced was limited by the absence of suitable vehicle performance standards.
- Red plate vehicles were used on a regular basis for commuting between work place and home.

OBSERVATIONS AND AUTHORITY RESPONSES

Vehicle Service and Maintenance

2.6.4 At the date of the review approximately 40% of the Authority's vehicle fleet had been purchased prior to 1982. Information on vehicle sales collated by the Directorate indicated that the Authority incurred high changeover costs when replacing vehicles and the retention by the Authority of certain vehicles past their economic life resulted in high repair and maintenance costs.

2.6.5 Audit noted that the Authority's policy of servicing vehicles every 4 000 kilometres resulted in a service frequency 2.5 times that recommended by both the Directorate and the vehicle manufacturers.

2.6.6 The Authority advised audit that the severe conditions in which its vehicles operated, e.g. frequent short trips, salt and moisture in the air, necessitated more frequent vehicle servicing and also that servicing requirements for its vehicles have been reviewed.

- 2.6.7 Audit examination of vehicle servicing details disclosed a number of instances where there was excessive servicing of vehicles. Two examples were:
- (1) The service records of a 2.5 year old vehicle which had travelled 34 822 kilometres indicated that during a 12 months period in which the vehicle travelled 15 336 kilometres a total of 144 hours were spent on its service and maintenance. The majority of this time was spent on:
 - . 12 instances of engine repairs
 - . 10 instances of electrical repairs
 - . 8 instances of brake and front end repairs
 - . 7 instances of engine steam cleaning.
 - (2) The service records of a 2 year old vehicle which had travelled 32 669 kilometres indicated that during a 12 months period in which the vehicle travelled 16 280 kilometres a total of 84.3 hours were spent on its service and maintenance. The majority of this time was spent on:
 - . 10 instances of work on tyres
 - . 5 instances of engine repairs
 - . 4 instances of brake and front end repairs
 - . 6 instances of engine steam cleaning.
- 2.6.8 Audit also observed that the Authority did not set standard times to ensure that the time spent servicing vehicles was within accepted standards. The Authority advised that the suitability of a list of standard repair times had been evaluated.
- 2.6.9 The Authority monitored its vehicle operating costs using quarterly reports submitted to the Assistant General Manager Finance for sedans and station wagons, including costs per kilometre for specific vehicle types.
- 2.6.10 A report prepared by the Authority on the operating costs of sedans and station wagons showed that the average service and repair cost per kilometre was 12 cents for 4 cylinder vehicles and 8 cents for 6 cylinder vehicles. Figures published by the National Roads and Motorists' Association (NRMA) indicate that service and repair costs for similar vehicles travelling between 15 000 kilometres and 30 000 kilometres annually should be between 4 and 6 cents per kilometre.
- 2.6.11 A comparison of costs between the NRMA figures (applied to the distances travelled by Authority vehicles) and the Authority's figures revealed that over a year the Authority incurred additional costs of approximately \$70 000 for its 74 sedans and station wagons.

Authority Response

The Motor Vehicle Replacement Program in the past had to compete with other Capital Works proposals for its share of the money available for capital works in any financial year of the 5 year programme. That policy has now been superseded and motor vehicles are being replaced as per the "PMA Motor Vehicle Policy" which is generally in accordance with the Victorian Government Motor Vehicle Fleet Standard Policies and Procedures.

The review of internal servicing and maintenance procedures was initiated in November 1985, prior to the audit being undertaken. This review has progressed and maintenance costs are now being monitored against these costs in other areas.

The implementation of the recommendation to monitor and analyse the life to date performance and costs of motor vehicles is tied to the appointment of the Vehicle Fleet Manager whose specific accountabilities in this regard are listed in his position description.

Effectiveness of Vehicle Management Information System

- 2.6.12 The reports produced by the Authority were found to be accurate and provided summary information necessary to monitor the performance of the overall fleet.
- 2.6.13 Audit noted that management used the reports to monitor the costs of operating the fleet and, in one instance, had disposed of a vehicle which was incurring excessive costs. However, the usefulness of the reports was limited by the absence of suitable comparable standards of vehicle performance which could be used to monitor operating costs of individual vehicles and the fleet in general.
- 2.6.14 In addition, the Authority did not have a system for reporting vehicles not operating within standards of usage and cost on an exception basis.
- 2.6.15 Prior to the commencement of the audit, the Authority did not require drivers of its passenger vehicles to keep a record of journeys travelled, although drivers of commercial vehicles did account for the vehicle running time using Daily Return of Work Sheets.
- 2.6.16 Audit was advised that, following a review of current practices, vehicle log books would be introduced as soon as possible and at the time the audit was completed the Authority had introduced log sheets for drivers of its passenger vehicles.

Authority Response

Motor vehicle trip recording was commenced on 25 June 1986. The control of vehicle use is currently the responsibility of the Assistant General Manager - Works who has now delegated this responsibility through the Manager Workshops and Senior Operations Engineer to the Vehicle Fleet Manager who, when appointed, will have a specific accountability for monitoring Motor Vehicle Log Sheets and using them as a motor vehicle control mechanism.

Use of Vehicles for Commuting Purposes

- 2.6.17 It is government policy that official transport (i.e. government owned vehicles, or vehicles on hire or lease to the State) must be used for official purposes only. Government owned vehicles have, with some exceptions, red number plates.
- 2.6.18 Audit noted that there was extensive use by senior officers of the Authority's vehicles with red number plates to travel between work and home on a regular basis.

Authority Response

The "PMA Motor Vehicle Policy" which was approved on 20 August 1986, reiterates Government Policy with respect to use of the Authority's vehicles for commuting purposes. It also provides guidelines under this policy for the type of special circumstances whereby the Chief Administrator can approve commuting with an Authority vehicle.

All officers who have been approved for inclusion in the Government's Senior Executive car policy now participate in the scheme and drive vehicles with private registration.

Accidents

- 2.6.19 Although the Authority did not have an Accidents Investigation Committee in accordance with the Directorate's requirements it did have a safety and rehabilitation co-ordinator whose responsibilities included the investigation of accidents.
- 2.6.20 Details of the number of accidents involving Authority vehicles during the 2 years 1984-85 and 1985-86 were 51 and 58 respectively or 24% and 33% if expressed as percentages of the fleet.
- 2.6.21 The benefit of sending drivers with poor accident records on driver safety training courses was recognised by the Authority.

Authority Response

The Authority has few serious motor vehicle accidents and the majority of minor accidents can be attributed to the congested nature of vehicle operation in the port area.

2.7

ROAD CONSTRUCTION AUTHORITY

BACKGROUND

2.7.1 At 30 June 1986 the Authority operated a fleet of 669 motor vehicles comprising:

183 passenger sedans
181 station wagons
305 commercial vehicles.

2.7.2 The written down value of the fleet, i.e. the cost after allowing for accumulated depreciation of \$1.54 million, was \$4.6 million at 30 June 1986. Operating costs which included maintenance, replacement parts, tyres, depreciation and insurance, but not fuel, totalled \$2.28 million in 1985-86. The cost of fuel consumed is charged directly to each user area as a job or area cost.

SUMMARY OF AUDIT OBSERVATIONS

2.7.3 Significant matters arising from the review were:

- Reviews of work methods and vehicle requirements by the Authority to determine that there was an on-going need for replacement vehicles could not be substantiated due to a lack of documentation.
- Management reports suitable for monitoring the operation of the Authority's motor vehicles were not complete or accurate and were not produced on a timely basis and reviewed regularly.
- Systems and procedures were not operating to ensure that the use of vehicles for travel between the work place and home was monitored and in accordance with government policy.
- The Authority had good practices in place for investigating accidents, including nomination of drivers for defensive driving courses, but the number of accidents was still a matter of concern.
- The cost of hiring employees' vehicles was not evaluated or monitored and, in certain cases, was not the most cost effective option.
- There was insufficient review of internal servicing and maintenance arrangements to ensure that service and maintenance costs were kept to a minimum.

OBSERVATIONS AND AUTHORITY RESPONSES

Vehicle Replacement

2.7.4 The examination of the Authority's procedures for replacing existing vehicles indicated that steps had been taken to assess the utilisation of vehicles being replaced. However, in a number of cases, there was no evidence to indicate that a review had been undertaken to determine the on-going need for a vehicle or any changes to vehicle requirements.

- 2.7.5 The Authority advised audit that at 30 June 1986 approximately 21% (140 vehicles) of the vehicle fleet had been acquired prior to 30 June 1982, and that many of its vehicles had travelled distances greater than 100 000 kilometres. In addition, the replacement of vehicles had been delayed due to reduced capital funding.
- 2.7.6 The retention of a vehicle beyond its economic life results in a lower disposal value and excessive repairs and maintenance to maintain the vehicle in a roadworthy condition.
- 2.7.7 The Directorate's statistics indicated that other administrative units and public bodies experienced lower change over costs for similar vehicles (in the order of \$2 100 to \$3 300 per vehicle). A major contributing factor to the higher change over costs experienced by the Authority was that significantly higher distances were travelled by Authority vehicles compared to vehicles of other organisations.

Authority Response

The need for each motor vehicle is fully reviewed prior to its replacement. Sub-fleets and the total fleet are subject to periodic review. Vehicles are being replaced as they complete their economic lives but vehicles which have already exceeded their economic lives are being replaced as capital funding becomes available. Therefore, the fleet will be completely updated over the next several years.

Effectiveness of Vehicle Management Information Systems

- 2.7.8 The Authority had 2 separate information systems, a manual card index and a costing system, which were inadequate for monitoring and controlling the operations of its motor vehicle fleet.
- 2.7.9 The reports produced by the costing system contained inaccurate and incomplete information and were not received by management on a regular and timely basis, and there was no evidence of management review of the reports.
- 2.7.10 Audit examination of the log books revealed that in the majority of cases they were not completed correctly, and this had contributed to the inaccuracies of the reports.

Authority Response

The existing 18 year old computer system is being replaced by a micro computer based management system which will be completed in mid 1987.

Correct maintenance of log books is receiving vigorous management attention.

Use of Vehicles for Commuting Purposes

- 2.7.11 The Authority has instructed its personnel that Authority vehicles are to be used for official purposes only.

- 2.7.12 Nevertheless a 1986 review by the Authority indicated that:
- (1) "travel to work" usage was approximately 2.9 million kilometres per year or approximately 7% of the total distance travelled by the Authority's fleet; and
 - (2) just under half the travel to work was by 50% of fleet vehicles used by staff at head office and divisional office locations.

2.7.13 At 31 March 1986 approximately 89% of the Authority's fleet was permanently allocated to Authority personnel on the basis of an officer's job requirements. In addition, a number of vehicles had been allocated to eligible officers under the SES Car Scheme.

2.7.14 The Authority was unable to produce formal authorisations for the officers to commute between home and the office and discussions with senior management indicated that this practice was widespread and had been in existence for a number of years.

Authority Response

Policy and procedures have been set in place to remove this practice over a reasonable period of time.

Accidents

2.7.15 Details of the number of accidents involving Authority vehicles over a 3 year period were:

Table 2.7A: Vehicle Accidents

<u>Year</u>	<u>Number of Accidents</u>	<u>Accidents as a Percentage of Total Fleet</u>
1983-84	209	31.4%
1984-85	231	34.6%
1985-86	231	34.5%

2.7.16 The Authority had taken action to reduce accidents by implementing good accident investigation procedures. However, the number of accidents indicated that there was a need for the Authority to continue with its endeavours.

Authority Response

Every motor vehicle accident is evaluated for action by the Senior Driving Instructor who has qualified at the Police Driving Academy and the Defensive Driving School at Shepparton. He recommends to the Accident Investigation Committee the appropriate action to be taken.

Hiring of Employees' Private Vehicles

2.7.17 The Authority hires employees' private vehicles to supplement divisional transport needs. Hire periods can vary from single days and short trips to periods of 12 months involving 20 000 kilometres.

2.7.18 The cost of private hiring has increased significantly over the past 5 years.

Table 2.7B: Cost of Private Hiring

<u>Year</u>	<u>Cost</u>
1980-81	\$150 805
1981-82	\$195 460
1982-83	\$202 518
1983-84	\$257 787
1984-85	\$301 882
1985-86	\$362 285

2.7.19 The Authority estimated that its passenger vehicles travel approximately 20.5 million kilometres per year incurring operating costs of approximately \$2.3 million or an average cost per kilometre of 17.5 cents, including an allowance of 5.5 cents for fuel (not included in the \$2.3 million).

2.7.20 As private hiring allowances paid during 1985-86 represented an average cost per kilometre of 35 cents, it was considered that if Authority owned vehicles had been used instead of employees' privately owned vehicles savings in the order of \$94 000 could have been achieved for vehicles hired for more than 8 000 kilometres.

2.7.21 The Authority contended that the average cost per kilometre of 17.5 cents should be increased by 8 cents to 25.5 cents to include the opportunity cost or interest charged if the Authority was to provide additional vehicles, and that the estimated savings during 1985-86 would have been \$52 000.

2.7.22 A review of the relevant "Agreement for Hire of Private Vehicle" forms for 1985-86 highlighted instances of personnel agreeing to hire their private vehicles to the Authority for extended periods of time. In some cases employees were paid for travelling distances in excess of 20 000 kilometres, whereas the results of a study conducted by the Authority indicated the break-even distance travelled before private hire became too expensive was 6 500 kilometres for a small car and 7 000 kilometres for a large car.

2.7.23 It is audit opinion that the Authority's practice of hiring private vehicles from employees on a continuing basis to travel considerable distances is not the most cost effective method of acquiring transportation.

2.7.24 There was a lack of monitoring of actual cost against private hiring agreements to ensure that the agreement was not exceeded. As a consequence, original estimates could be exceeded and instances of retrospective approvals for private hirings were noted.

Authority Response

In limited cases it is cost effective to hire an employee's motor vehicle. An Authority vehicle is more economic for distances in excess of 6 500 kilometres.

Monitoring and approval procedures are now in place to properly control and manage this activity.

Vehicle Service and Maintenance

- 2.7.25 The Authority services and maintains approximately 95% of its vehicles at its own workshops, the others being serviced at local garages.
- 2.7.26 In the period reviewed 29% of the Authority's passenger type vehicles had incurred annual maintenance costs in excess of \$2 000. The average repair and maintenance cost per vehicle was calculated by audit to be \$2 187 for 1985.
- 2.7.27 This maintenance cost was considered excessive when compared to industry standards due to the practice of retaining vehicles past their optimum life and the relatively high frequency of scheduled services as per instructions issued by the Authority.
- 2.7.28 The Authority's motor vehicle servicing policy provided for servicing vehicles at much shorter intervals than those recommended by the Directorate. The Directorate recommends a minor service to be carried out at 10 000 kilometres or 6 months and then at every subsequent 20 000 kilometres or 12 months. A major service is to be conducted each 20 000 kilometres.
- 2.7.29 An Authority vehicle which had travelled 56 000 kilometres would have had 17 safety check services as well as five 10 000 kilometre interval services compared with 3 minor services and 2 major services, based on the Directorate's recommendations.
- 2.7.30 Subsequent to the review, the Authority advised that this policy was changed in June 1986 and that vehicles were now serviced in accordance with manufacturers' recommendations.

Authority Response

Servicing and maintenance procedures are now those specified by the vehicles' manufacturers. The past "check" at 2 500 kilometres was eliminated in June 1986. Regular instruction is provided throughout the Authority by plant instructors to ensure that the policy is being followed.

APPENDIX A

VICTORIAN GOVERNMENT MOTOR VEHICLE FLEET DIRECTORATE

In consultation with chief administrators and executives the Directorate's staff of 5 is responsible for reviewing government fleet management structures and staffing, overseeing the development of policies and procedures for fleet management, introducing measurements to assess performance, and monitoring all public sector agencies to ensure their compliance with management policies and procedures. It is also responsible for the operation of the State Vehicle Service and Petrol Centre and the Government Courier Service.

The major achievements of the Directorate since its establishment in 1984 have been:

- (1) the introduction of contract purchasing for passenger cars, light commercial and passenger derivative vehicles of up to one tonne carrying capacity and light trucks up to three tonnes carrying capacity;
- (2) the development and promulgation of the Standard Policies and Procedures Manual covering major areas of fleet management, including acquisitions, accident reporting, damage assessment and repair, service and maintenance, disposal and fuel supplies;
- (3) the implementation of a Senior Executive Service (SES) Car Policy to recover the cost of vehicles used by senior officers in the public sector for private use;
- (4) the development of a data base containing information on disposal prices etc. which enables government organisations to evaluate sales results; and
- (5) the development of criteria for vehicle changeover to ensure maximum benefit from sales tax exemption and fluctuating used car market conditions.

The Directorate conducted a seminar for Transport Managers from a wide range of government organisations in September 1986 which addressed a number of issues including:

- cost reductions through accident prevention and damage control;
- fleet management information systems;
- minimisation of operating costs; and
- maximisation of disposal prices.

The Directorate has a number of activities currently underway or about to begin including:

- the establishment of government car pools in areas of heavy vehicle concentration to improve utilisation and minimise duplication of resources;
- development of a computer based fleet management system and performance measures for effective fleet management;
- introduction of an efficiency audit program to monitor fleet management standards and effectiveness;
- continuation of the development of effective fleet management policies and procedures; and

- introduction of a vehicle auction contract to provide a more effective means of disposal, better facilities and simplified administrative procedures.

The establishment of the Directorate has proved an important step towards improving the economic management of fleet resources. The standard policies and procedures developed by the Directorate were consistent with effective management practices.

APPENDIX B

DESIRABLE MANAGEMENT CRITERIA

Acquisition and Disposal of Motor Vehicles

When replacing or acquiring a vehicle management should review its requirements and consider:

- (1) whether another vehicle from within the organisation will do the job; and
- (2) whether changes in the workload of the organisation have occurred which may make a replacement vehicle unnecessary or suggest that a different type of vehicle be chosen.

When acquiring an additional or replacement vehicle management should follow the procedures laid down by the Directorate which include:

- (1) justifying the need for a replacement or additional vehicle;
- (2) determining the type of vehicle suitable for a particular purpose;
- (3) considering alternative methods of meeting identified transport needs, e.g. short term hiring;
- (4) obtaining approval in relation to non standard items (extras); and
- (5) buying at the lowest cost.

When disposing of motor vehicles management should follow the procedures laid down by the Directorate which include:

- (1) travelling a minimum distance of 56 000 kilometres before disposal; and
- (2) evaluating the optimum level in terms of distance travelled, age and resale or trade-in value so as to obtain maximum return.

Consideration should be given to detailing the vehicles before disposal.

Use of Motor Vehicles

Management should delegate to a responsible officer the duties and responsibilities for the day to day running of the organisation's motor vehicles.

There should be regular reviews of the usage of motor vehicles to ensure full utilisation and that each vehicle travels at least 25 000 kilometres per year or a distance consistent with the particular use of the vehicle for official purposes.

Policies and procedures concerning authorised usage, maintenance, security and management expectations should be documented and issued to all staff using motor vehicles.

Effective fleet management requires the following information to be available:

- (1) information on fleet size, composition and location;

(2) details of each vehicle including:

- description
- purchase date
- purchase cost
- location
- usage (for current period, yearly and life) e.g. destinations, distances, dates
- operating costs (for current period, yearly and life);

(3) details of any permanent allocation of motor vehicles and justification for the allocation;

(4) log books for each vehicle giving details of driver, date, destination and purpose of each trip, distance travelled and fuel etc. purchased;

(5) schedule of vehicles nearing replacement;

(6) organisational charts and job descriptions;

(7) requests for vehicles; and

(8) standard costs which are to be used for comparative purposes.

The following reports should be received by management on a timely basis:

(1) comparative costs of the different modes of transport used, e.g. government vehicles, public transport, use of private vehicles;

(2) usage details including idle time and private use (both authorised and unauthorised);

(3) operating costs for each vehicle (analysed for each class of vehicle, each model of vehicle and each location when the fleet is decentralised); and

(4) vehicles not operating within standards of usage and cost (exception reports should be produced).

Management should be analysing the reports on a regular basis and taking action where there are variances.

All vehicles should be registered and insured, and management should have procedures to ensure adequate security of vehicles.

Management should follow the procedures laid down by the Directorate in respect of accidents and should have issued instructions to persons driving government vehicles. There should be procedures to minimise the number of accidents.