



**SAINT HELENA
AUDIT SERVICE**

FAST TRACK

VALUE FOR MONEY

TRANSPORT

V32

November 2008

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The Audit Service would like to acknowledge with appreciation the assistance given by all SHG staff involved.

1. Introduction

The Public Accounts Committee (PAC) requested a 'Fast Track' audit in May 2008 to determine whether St Helena Government (SHG) is achieving economy and efficiency in:

- a) The hire and use of private vehicles; and
- b) Receiving compensation from employees who are liable for damage or destruction of SHG owned vehicles.

'Fast Tracks' are audits looking at areas of government with economy, efficiency and effectiveness that are of concern to the PAC.

2. Summary

Use of Private Sector Vehicles

Although SHG's policy is to promote private sector development, its policy on hire of private sector vehicles is to keep private hire to a minimum. In relation to short term hire, SHG adheres to this policy and hires only when the Transport cannot meet requirements.

For long term hire, that is agreements to hire a vehicle for a year or more, we consider arrangements to be inadequate. There is no management information available to determine whether it is cost effective to continue hiring from the private sector or whether it is more economic to purchase a vehicle instead. The usage of private sector vehicles once hired is not monitored.

Compensation from employees

There were 77 recorded accidents involving SHG vehicles between 1 April 2005 and 30 June 2008. Only in one of these cases was the employee requested to pay compensation.

Where a private vehicle is involved in an accident with an SHG vehicle, the Code of Management

specifies the procedures to be followed. The procedure includes reporting such accidents to the Deputy Chief Secretary, who, if she considers an SHG employee to be at fault, will refer the matter to the Financial Secretary to consider surcharging that employee. However 59 of the 77 accidents only involved SHG vehicles and in these cases no consideration was given to seeking damages from staff. The cost to SHG of repairing these vehicles is not known. Whilst Financial Regulations give the power of surcharge to the Financial Secretary, there is no mechanism in place for her to be notified of accidents involving only SHG vehicles where an employee appears to be at fault.

Overall four recommendations were made for management to consider:

- The hire of private sector vehicles should be made through the Transport Division;
- Management information should be produced to consider whether costs of long term private vehicle hire exceed the costs of purchasing suitable vehicles;
- For each accident reported to the Transport Division, the cost of repair should be recorded; and
- The Code of Management should be updated so the Financial Secretary is notified of damage to SHG vehicles where it appears that an SHG employee is at fault.

3. Background

To determine whether economy and efficiency is being achieved in the hire and use of private vehicles, we reviewed:

- SHG's policy objective;
- Performance against targets set to achieve objectives;
- The procedure for hiring vehicles from the private sector; and
- The short and long term hiring practices of vehicles from the private sector.

To determine whether economy and efficiency is being achieved through receiving compensation from employees who are liable for damage or destruction of SHG owned vehicles, we reviewed:

- Rules and regulations; and
- The value of damages to SHG vehicles and compensation from the public officers responsible.

Our assessment is based upon:

- Interviews with the Senior Transport manager (Public Works and Services Department (PW&SD)), Chief Finance Officer (Finance), Acting Deputy Secretary, Assistant Secretary (Office of Chief Secretary (OCS)), Chief of Police (Police Service) and other key SHG personnel.
- Collation of financial data from the Finance accounts ledger and supporting documentation; and
- Review of documentation concerning vehicle accidents.

4. Findings

Does the hire and use of private vehicles by SHG departments meet expected standards of economy and efficiency?

SHG's policy objective

The Sustainable Development Plan (SDP) lists 'growth through private sector development' as one of the four main pillars. However, SHG has instructed departments to keep use of private sector vehicle hire to a minimum.

Short term hire of private sector vehicles

SHG's procedure for hiring vehicles from the private sector is as follows:

It is left to the discretion of Heads of Department to hire private sector vehicles, in cases of emergency and when a vehicle goes into the garage and there is no replacement. However, they are required to submit a written justification to the Chief Secretary

within two working days of hiring a vehicle. Their justification is to include:

- Reason for hiring from the private sector;
- Duration of hire;
- Cost of hire and details of the budget where the cost will be met; and
- If requiring a replacement vehicle, a statement from the Senior Transport Manager confirming there are no SHG replacement vehicles available and the period this is likely to remain the case.

With exception to the above circumstances, all other hire of vehicles from the private sector, Heads of Department must obtain approval prior to hiring the vehicle.

Departments hire vehicles from the private sector when the Transport Division is unable to meet their demands.

It is found that when dedicated vehicles are called into the Transport Division for maintenance, there are often no replacement vehicles available for the duration of the down time.

Long term hire of private sector vehicles

The Police Service, Public Health and Social Services Department and PW&SD had hired private sector vehicles on a long term hire basis and between them paid £48K in 2007/08.

PW&SD Roads and Building Maintenance sections continue to hire private sector 4x4 vehicles on a long term basis. Their justification for using a private sector vehicle is made annually as part of their application to the Chief Secretary for having an on-call vehicle.

The cost paid by PW&SD for private sector 4x4 usage during 2006/07 and 2007/08 amounted to

approximately 12K. A new Ford Ranger 4x4 cost approximately £10.7K¹.

There is insufficient management information produced to compare the long term costs of purchasing and hiring vehicles.

PW&SD had stated in their 2007/08 Business Plan that their vision for their Transport Division is 'to maintain a high and sustainable maintenance and repair program to provide an efficient and cost effective hire service to the St Helena Government'. They had identified targets such as having 95% of vehicles available for hire at any given time and to complete a review of departmental transport requirements. Neither of these targets was achieved.

Monitoring the use of private sector vehicles

The Accountant, Financial, Planning and Analysis stated that the Senior Transport manager will monitor the use of private hire vehicles².

The Senior Transport Manager commented that the Transport Division does not monitor the usage of private sector hire.

Heads of Department arrange the hire of private sector vehicles themselves, if a vehicle is not available from the Transport Division. They provide justification to the Chief Secretary within two days of hiring the private vehicle. The Chief Secretary keeps a register of all private sector vehicle hire. The Transport Division does not know what department has hired a private sector vehicle and for what period.

As the Transport Division's vision is to provide an efficient and cost effective hire service, the hire of vehicles should be centralized - if an SHG vehicle is

not available the Transport Division should then arrange a vehicle hire from the private sector. The Transport Division would then be able to monitor vehicle usage effectively and by establishing good relationships with the private sector be able to negotiate hire fees. The amount of time spent by the Chief Secretary and Heads of Department would be reduced if all vehicle hire was centralized.

To conclude, short term hiring of private sector vehicles generally provides good value for money. Appropriate justification is made by Heads of Department to the Chief Secretary. For long term hire, justification is made on an annual basis. No management information is kept to determine whether it is more cost effective to hire private vehicles on a long term basis or for SHG to purchase suitable vehicles instead. The use of private vehicles is also not monitored to ensure they are used efficiently.

Recommendation 1

It is recommended that management information is produced to help management consider whether the costs of long term private vehicle hire exceed the costs of purchasing suitable vehicles.

Recommendation 2

It is recommended that as part of the Transport Division's mandate to provide an efficient hire service to SHG, the Transport Division should manage the hire and monitor the usage of private sector vehicles for SHG, if they are unable to provide a suitable vehicle from the Transport Pool.

Does SHG meet expected standards of economy and efficiency in receiving compensation from employees who are liable for damage or destruction of SHG owned vehicles?

Between 1 April 2005 and 30 June 2008, 77 SHG vehicle accidents were recorded with the Transport Division. Management information is insufficient to

¹ Landed cost quoted by a local garage, exclusive of duty, as SHG is exempted from duty charges.

² Reference – email dated 19 June 2008 addressed to Heads of Department and Senior Transport Manager.

determine the total cost of damages to these SHG vehicles.

Only one case requested compensation from the employee responsible.

If a SHG vehicle is involved in an accident with a private vehicle the Code of Management (COM) Section 7.2.2 details the procedure to be followed. This includes reporting such accidents to the Deputy Chief Secretary, who, if she considers the SHG employee to be at fault, will refer the matter to the Financial Secretary to consider surcharging the employee. However 59 of the 77 cases recorded were SHG vehicle only accidents. The COM Section 7.2.1 only requires SHG vehicle only accidents to be reported to the Head of Department; as a result the Financial Secretary is not notified of accidents involving only SHG vehicles where an employee appears to be at fault and is unable to consider surcharging³.

In conclusion, whilst the Financial Regulations give the power to surcharge to the Financial Secretary, there is no mechanism in place for her to be notified of accidents involving only SHG vehicles where an employee appears to be at fault.

Recommendation 3

It is recommended that for each accident reported to the Transport Division, the cost of repair should be recorded.

Recommendation 4

It is recommended that the COM Section 7.2.1 should be updated so the Financial Secretary is notified of damage to SHG vehicles where it appears that an SHG employee is at fault.

³ Financial Regulations 2008, Section 11 (Power to surcharge)

5. Summary of Recommendations

	RECOMMENDATION	Officer responsible for implementation	Implementation expected to be complete by: (Month, Year)	Management Comments
1.	It is recommended that management information is produced to help management consider whether the costs of long term private vehicle hire exceed the costs of purchasing suitable vehicles.	Senior Transport Manager/ PW&SD Manager	November 2008	The Senior Transport Manager commented that this can be set up using a simple Excel database spreadsheet. PW&SD Manager agreed.
2.	It is recommended that as part of the Transport Division's mandate to provide an efficient hire service to SHG, the Transport Division should manage the hire and monitor the usage of private sector vehicles for SHG, if they are unable to provide a suitable vehicle from the Transport Pool.	Deputy Chief Secretary/PW&SD Manager/ Senior Transport Manager	November 2008	The Senior Transport Manager commented that apart from fuel information that appears on the Fuel Station invoices, hire costs is known to departments only. Centralizing management for hire of vehicles under the Transport Division should improve efficiency. Chief Secretary and Deputy Chief Secretary agreed. PW&SD Manager, agreed.
3.	It is recommended that for each accident reported to the Transport Division, the cost of repair should be recorded.	Senior Transport Manager	November 2008	The Senior Transport Manager commented that this can be achieved through the job card system currently in place. In some cases, it is being done already. PW&SD agreed, but feels departments have some responsibility as there are often damages to vehicles which are not reported.
4.	It is recommended that the COM Section 7.2.1 should be updated so the Financial Secretary is notified of damage to SHG vehicles where it	Chief Secretary	November 2008	Deputy Chief Secretary commented that there should be cross referenced in the Code of Management to the Financial

	RECOMMENDATION	Officer responsible for implementation	Implementation expected to be complete by: (Month, Year)	Management Comments
	appears that an SHG employee is at fault.			<p>Regulations which authorizes the Financial Secretary to surcharge.</p> <p>The Senior Transport Manager commented that every accident should be reported and dealt with in the same manner as vehicles having an accident with private vehicles. This will ensure that reports are submitted through HoD's to reach the DCS and FS.</p> <p>PW&SD Manager agreed.</p>