Tasmanian
Audit Office

Report of the Auditor-General No. 3 of 2015-16

Vehicle fleet usage and management in other state entities

October 2015

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THE ROLE OF THE AUDITOR-GENERAL

The Auditor-General's roles and responsibilities, and therefore of the Tasmanian Audit Office, are set out in the *Audit Act 2008* (Audit Act).

Our primary responsibility is to conduct financial or 'attest' audits of the annual financial reports of State entities. State entities are defined in the Interpretation section of the Audit Act. We also audit those elements of the Treasurer's Annual Financial Report reporting on financial transactions in the Public Account, the General Government Sector and the Total State Sector.

Audits of financial reports are designed to add credibility to assertions made by accountable authorities in preparing their financial reports, enhancing their value to end users.

Following financial audits, we issue a variety of reports to State entities and we report periodically to the Parliament.

We also conduct performance audits and compliance audits. Performance audits examine whether a State entity is carrying out its activities effectively and doing so economically and efficiently. Audits may cover all or part of a State entity's operations, or consider particular issues across a number of State entities.

Compliance audits are aimed at ensuring compliance by State entities with directives, regulations and appropriate internal control procedures. Audits focus on selected systems (including information technology systems), account balances or projects.

We can also carry out investigations but only relating to public money or to public property. In addition, the Auditor-General is now responsible for state service employer investigations.

Performance and compliance audits are reported separately and at different times of the year, whereas outcomes from financial statement audits are included in one of the regular volumes of the Auditor-General's reports to the Parliament normally tabled in May and November each year.

Where relevant, the Treasurer, a Minister or Ministers, other interested parties and accountable authorities are provided with opportunity to comment on any matters reported. Where they choose to do so, their responses, or summaries thereof, are detailed within the reports.

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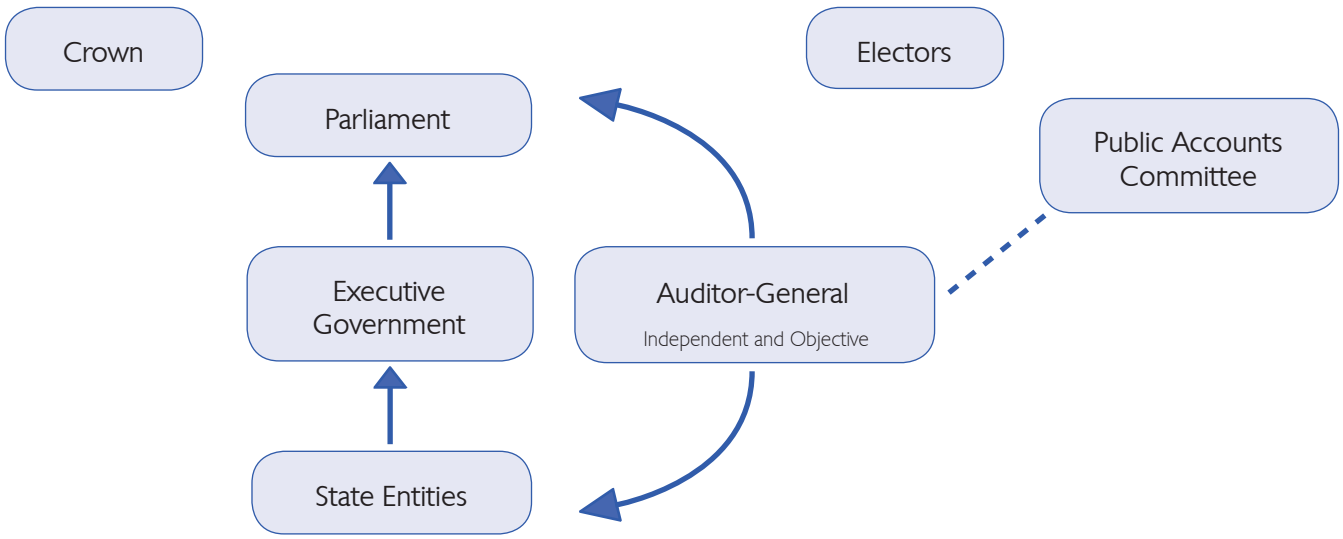

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PARLIAMENT OF TASMANIA

REPORT OF THE AUDITOR-GENERAL No. 3 of 2015–16

Vehicle fleet usage and management in other state entities

October 2015

Presented to both Houses of Parliament in accordance with the provisions of the Audit Act 2008

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13 October 2015

President
Legislative Council
HOBART

Speaker
House of Assembly
HOBART

Dear Mr President
Dear Madam Speaker

REPORT OF THE AUDITOR-GENERAL
No.3 of 2015–16: Vehicle fleet usage and management in other state entities

This report has been prepared consequent to examinations conducted under section 23 of *the Audit Act 2008*. The objective of the audit was to determine whether the use of vehicles in state entities was effective, efficient and compliant with relevant policies and guidelines.

Yours sincerely

H M Blake
AUDITOR-GENERAL

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Foreword

This is our second performance audit aimed at assessing how effectively and efficiently vehicle fleets are managed in our public sector. The first such audit, which focussed on government departments, whose vehicles were leased, resulted in a report tabled in September 2014. I concluded then that motor vehicle fleets were being managed effectively, efficiently and in compliance with policies, but opportunities for improvement by varying fleet sizes, paying greater attention to exception reports, improving fuel usage and developing a more strategic approach to managing the fleet were noted and consequent recommendations made.

At that time I indicated that the above audit would form the basis for a second audit of fleet management and associated functions at Police, the Tasmanian Fire Service (TFS) and selected non-general government sector entities. Subsequently, I decided to exclude Police and selected TFS, Hydro Tasmania, University of Tasmania (UTAS) and the Retirement Benefits Fund (RBF). One reason for selecting these entities was because, for three of them, their vehicle fleets were owned rather than leased.

These entities were also selected because they are not directly subject to guidelines issued by the departments of Treasury and Finance (Treasury) or Premier and Cabinet and were expected to have their own policy frameworks to cover leasing contracts or ownership.

Evident when planning this audit was:

- the obvious observation that, while there were many similarities, these entities used vehicles for differing purposes
- that they had not previously consulted when developing vehicle management systems and arrangements. This is not to say that they should have, but hopefully findings from this audit may be of benefit to all of them and to other state entities in the Tasmanian public sector.

Generally, I concluded that RBF's and Hydro Tasmania's management of vehicles was effective, efficient and compliant with relevant policies and guidelines.

I did not similarly conclude at TFS or UTAS.

In the case of TFS, I concluded that its management of vehicles did not indicate that they were used in an efficient or effective manner due to the unreliability and inadequacy of information provided and the lack of monitoring by TFS.

In UTAS's case, I concluded that its management of vehicles was not effective and efficient for similar reasons including that it performed very little monitoring of the performance of its fleet.

However, both TFS and UTAS had clear fleet management policies and complied with, or had equivalent arrangements, government policy in regards to choice of vehicles, emissions and safety.

While managing vehicle fleets may not be regarded as 'core' business for any of these entities, or for that matter any state entities with the probable exception of Treasury, it manages the whole of agency fleet arrangements, and Metro Tasmania, which manages a bus fleet, the public sector as a whole has a significant investment in vehicles and incurs material related costs. My two reports into this subject matter provide a number of examples of better practice and improvement recommendations that all state entities should have regard to.

My thanks to all agency representatives who assisted in the conduct of this audit.

H M Blake

Auditor-General

13 October 2015

List of acronyms, abbreviations and key definitions

ANCAP	Australian New Car Assessment Program
DPAC	Department of Premier and Cabinet
F200	Fleet Management Agreement
FBT	Fringe Benefits Tax
FTE	Full Time Equivalent
Hydro	Hydro Tasmania
KPI	Key Performance Indicator
RBF	Retirement Benefits Fund
TFS	Tasmania Fire Service
Treasury	Department of Treasury and Finance
UTAS	University of Tasmania

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Executive summary

Executive summary

Background

This performance audit is methodologically based on our previously tabled audit *Motor vehicle fleet management in government departments*, which was released in September 2014. While the 2014 audit focused on government departments this audit shifts the emphasis from government departments to other state entities.

The entities included in this report are not directly subject to guidelines issued by the departments of Treasury and Finance (Treasury) or Premier and Cabinet (DPAC). However, they should still develop their own policy frameworks to cover leasing contracts or ownership (for acquisition and disposals) and operational matters. Considerations of efficiency, effectiveness and economy — as well as appropriate standards of probity and accountability — still apply to assets under their control.

Audit objective

The objective of the audit was to determine whether the use of vehicles in state entities was effective, efficient and compliant with relevant policies and guidelines.

Audit scope

Organisationally, the audit involved:

- Hydro Tasmania (Hydro)
- Retirement Benefits Fund (RBF)
- Tasmania Fire Service (TFS)
- University of Tasmania (UTAS).

The audit concentrated on a two-year period between 1 July 2012 and 30 June 2014. For fringe benefits tax (FBT) matters, the period under review aligns with the respective tax reporting years (i.e. 1 April 2012 to 31 March 2014).

Audit criteria

We developed a number of audit criteria, namely:

- Was there a match between fleet size and need?
- Were fleet costs minimised?

- Did fleet management comply with government policies[1]?
- Was there regular monitoring and reporting of performance.

Detailed audit conclusions

Hydro Tasmania

Hydro's management of vehicles was effective, efficient and compliant with relevant policies and guidelines. We identified some areas where we believe small improvements were possible, including periodic review of the size of the fleet, review of fuel usage and development of KPIs.

Retirement Benefits Fund

RBF's management of vehicles was effective, efficient and compliant with relevant policies and guidelines. Two areas where we considered improvements were necessary was ensuring users of its fleet had provided evidence of a current driver's licence and monitoring of the use of its fleet in areas such as vehicle and fuel usage.

Tasmania Fire Service

Based on our criteria, TFS's management of vehicles did not indicate that they were used in an efficient or effective manner, due to:

- only inadequate and unreliable information being available to assess many aspects of performance such as usage, maintenance and fuel consumption
- insufficient information being available to assess whether there was a match between fleet size and need
- TFS being unable to demonstrate that it had minimised its fleet operating costs with regard to fuel and maintenance
- TFS performing very little monitoring of its fleet performance and had not established KPIs.

With respect to compliance with government policy, TFS had a clear fleet management policy and was compliant with government policy in regards to choice of vehicles, emissions and safety. However, problems with logbooks led to a lack of

[1] We acknowledge entities are not required to comply with government standards, but we would expect their own policies to be of a comparable standard.

compliance with respect to driver identification and prevented us from forming a view as to compliance with authorisation and home garaging policies.

University of Tasmania

UTAS's management of vehicles was not effective and efficient in that:

- only inadequate and unreliable information was available to assess many aspects of performance such as usage, maintenance and fuel consumption
- there were indications that UTAS had more vehicles than needed
- UTAS was unable to demonstrate that it had minimised its fleet operating costs with regard to rotation of vehicles, fuel, maintenance and FBT liability
- UTAS performed very little monitoring of its fleet performance and had made little use of KPIs.

With respect to compliance with government policy, UTAS had a clear fleet management policy and was compliant with equivalent government policy in regards to choice of vehicles, emissions and safety. However, problems with logbooks had led to lack of compliance with respect to driver identification and prevented us from forming a view as to compliance with authorisation and home garaging policies.

Recommendations made

The Report contains the following recommendations:

Rec	Section	We recommend that...
1	1.2	... Hydro introduce a periodic zero-based review of total fleet size and ensures it continues to effectively match fleet size with operational requirements.
2	1.3	... Hydro reviews use of vehicles with fuel usage more than 20 per cent over manufacturers' combined use specifications.
3	1.4	... Hydro ensures that logbooks or 'smart tag' systems are used and information retained for all fleet vehicles.
4	1.5	... Hydro includes vehicle usage in its monitoring regimen.
5	1.5	... Hydro develops fleet management KPIs to drive greater efficiency.

Rec	Section	We recommend that…
6	2.2	… individual vehicle business cases prepared by RBF should as a minimum address: ▪ type of vehicle ▪ whole-of-life costs ▪ fuel consumption analysis ▪ discussion of alternatives.
7	2.3	… RBF monitor fuel usage to ensure fuel cards are being used appropriately and that vehicles are being driven in accordance with RBF's policies and guidelines.
8	2.4	… RBF ensure all drivers of motor vehicles from its fleet have provided evidence of a current driver's licence.
9	2.4	… RBF develop a policy and procedure to ensure fuel dockets are regularly matched to invoices.
10	2.5	… RBF uses the vehicle management reports that are available through Treasury's whole-of-government contract.
11	3.2	… TFS maintain and monitor records of individual fleet usage for its entire fleet.
12	3.2	… TFS routinely prepare a business case or rationale to support acquisition of new vehicles.
13	3.2	… TFS introduce a periodic review of total fleet size and need.
14	3.3	… TFS monitors usage of its fleet and looks for opportunities to equalise use of vehicles.
15	3.3	… TFS regularly monitor fuel usage. This will require TFS to enforce provision of odometer readings when drivers purchase fuel.
16	3.3	… TFS monitors and enforces vehicle maintenance at scheduled dates or kilometres.
17	3.4	… TFS implement more effective methods to promulgate and enforce its policies and instructions, such as induction processes, regular alerts, staff forums, training sessions and performance management.

Rec	Section	We recommend that…
18	3.4	… TFS implement the use and retention of logbooks and require completion for all trips, to ensure all use is authorised and that drivers can always be subsequently identified.
19	3.5	… TFS consider using an external fleet management organisation to provide exception reports and to assist with fleet management.
20	3.5	… TFS develops fleet management KPIs to drive efficiency.
21	4.2	… UTAS maintain and monitor records of individual fleet usage for its entire fleet including vehicles allocated to faculties.
22	4.2	… UTAS enforce provision of odometer readings when drivers purchase fuel.
23	4.2	… UTAS routinely prepare a business case or rationale to support acquisition of new vehicles.
24	4.2	… UTAS introduce a periodic review of total fleet size and need to ensure it continues to effectively match fleet size with need.
25	4.3	… UTAS avoids large disparities in vehicle usage by rotating motor vehicles across faculties and regions.
26	4.3	… UTAS regularly monitors fuel usage. This will require UTAS to enforce the provision of odometer readings when drivers purchase fuel.
27	4.3	… UTAS monitors and enforces vehicle maintenance at scheduled dates or kilometres.
28	4.3	… UTAS either routinely calculate FBT liability for each vehicle using both the statutory formula and operating-cost methods or at least performs analysis to establish whether significant savings might be possible.
29	4.4	… UTAS ensures that logbooks are used, properly completed and retained for all fleet vehicles.
30	4.5	… UTAS consider using an external fleet management organisation to provide exception reports.

Rec	Section	We recommend that…
31	4.5	… UTAS develops fleet management KPIs to drive improved efficiency.

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Audit Act 2008 section 30 — Submissions and comments received

Audit Act 2008 section 30 — Submissions and comments received

Introduction

In accordance with section 30(2) of the *Audit Act 2008*, a copy of this Report was provided to the entities indicated in the Introduction to this Report.

A summary of findings, with a request for submissions or comments, was also provided to the Minister for Education and Training, Minister for Energy, the Minister for Police and Emergency Management, and the Minister for Planning and Local Government and Treasurer.

Submissions and comments that we receive are not subject to the audit nor the evidentiary standards required in reaching an audit conclusion. Responsibility for the accuracy, fairness and balance of these comments rests solely with those who provided the response. However, views were considered in reaching review conclusions.

Section 30(3) of the Act requires that this Report include any submissions or comments made under section 30(2) or a fair summary of them. Submissions received are included in full below.

Hydro Tasmania

Thank you for the copy of the draft report to Parliament in relation to vehicle fleet usage and management in other State entities.

Hydro Tasmania has reviewed the contents of the draft report and overall we find this to be a fair and reasonable assessment for Hydro Tasmania's fleet.

In regard to the recommendations from the draft report, we acknowledge the opportunity to achieve improvements including the periodic review of the size of the fleet, review of fuel usage and development of KPIs. A management plan to address the recommendations will be implemented within the business over the next six (6) months.

We appreciate your review and the opportunity for our response.

Steve Davy
Chief Executive Officer

Retirement Benefits Fund

Thank you for the opportunity to comment on the draft report on the performance audit of vehicle fleet usage and management.

The Retirement Benefits Fund (RBF) is conscious that its administrative expenses are met from fees charged to members of the accumulation scheme and indirectly by the State in respect of the defined benefits schemes. We therefore welcome your overriding conclusion that RBF's management of vehicles was effective, efficient and compliant with relevant policies and guidelines and that we had effectively matched fleet size with need.

However, you have identified two areas for improvement and made a total of five recommendations, all of which are accepted.

In response to the five individual recommendations relating to RBF, the following comments are provided:

Recommendation 6

In August 2015, RBF updated its template business case to ensure that minimum vehicle requirements are explicitly addressed when assessing vehicle replacement.

Recommendations 7 and 9

Commencing in September 2015, RBF established a monthly process to ensure fuel usage is monitored and all fuel receipts are reconciled to invoices.

Recommendation 8

While RBF has in place procedures requiring evidence of a current drivers licence to be recorded prior to vehicle use, your audit identified an instance in March 2015 when evidence was not recorded. RBF has used its internal issue and breach management system to address this issue and undertaken a communication and education process to ensure this does not re-occur. Following receipt of your draft audit report, a monthly process has been established to audit the vehicle log books for completeness.

Recommendation 10

RBF will review the vehicle management reports that are available through Treasury's whole-of-government contract and determine those which would best assist RBF with future vehicle management.

Thank you for including RBF in this performance audit.

Philip Mussared
Chief Executive Officer

Tasmania Fire Service

Thank you for the opportunity to provide a response to the recommendations contained in the report *Vehicle Fleet Usage and Management in Other State Entities.*

As you are aware, the Tasmania Fire Service (TFS) vehicle fleet contains a mix of support vehicles and operational fire appliances and the audit undertaken sampled a mix of vehicles from both categories, which may have inadvertently affected the outcomes of the audit due to the differing requirements of the operational fire appliances.

The TFS accepts the recommendations made in relation to opportunities to improve management of the TFS support vehicle fleet, and acknowledges some opportunities to apply recommendations to the management of operational fire appliances.

As you are also aware, the TFS has for the past twelve months been engaged in a process of integrating its corporate support functions with the Department of Police and Emergency Management. Prior to this integration project commencing, the TFS had undertaken review of its fleet management practices but had not actioned the recommendations due to the imminent commencement of the integration project. The fleet management capability extant within the combined corporate support structure, positions the TFS to implement the recommendations arising from the internal review and those contained in your report.

Gavin Freeman **AFSM**
Acting Chief Officer

University of Tasmania

The University accepts the recommendations from the performance audit, and recognises the need to improve the management of its vehicle fleet. In 2014 University management initiated an independent review of the vehicle fleet. The findings were broadly consistent with this latest review, and as a result there was an existing awareness of many of the issues raised in this report. Findings and recommendations from the independent review were in the process of being addressed and implemented. The fleet management system has been upgraded which has enhanced the capture of information. A range of review activities have been implemented and compliance requirements reinforced. We support the findings of this report and will continue to seek efficiency and compliance improvements.

David Clerk

Chief Operating Officer

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Introduction

Introduction

Background

This performance audit is methodologically based on our previously tabled audit *Motor vehicle fleet management in government departments*, which was released in September 2014. While the 2014 audit focused on government departments this audit shifts the emphasis from government departments to other state entities. Table 1 details the entities audited together with whether they own or lease their fleets.

Table 1: Type of fleet operated by entity

Entity	Type of ownership
Hydro Tasmania	Owned
Retirement Benefits Fund	Leased
Tasmania Fire Service	Owned
University of Tasmania	Owned

The entities included in this report are not directly subject to guidelines issued by the departments of Treasury and Finance (Treasury) or Premier and Cabinet (DPAC). However, they should still develop their own policy frameworks to cover leasing contracts or ownership (for acquisition and disposals) and operational matters. Considerations of efficiency, effectiveness and economy — as well as appropriate standards of probity and accountability — still apply to assets under their control.

Audit objective

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The audit concentrated on a two-year period between 1 July 2012 and 30 June 2014. For fringe benefits tax (FBT) matters,

the period under review aligns with the respective tax reporting years (i.e. 1 April 2012 to 31 March 2014).

Audit criteria

We developed a number of audit criteria, namely:

- Was there a match between fleet size and need?
- Were fleet costs minimised?
- Did fleet management comply with government policies[2]?
- Was there regular monitoring and reporting of performance?

Audit approach

In line with the preceding audit criteria, we sought appropriate audit evidence through:

- reviewing each entity's motor-vehicle records
- examining motor vehicle logbooks
- reviewing business cases
- checking policies and guidelines
- interviewing staff.

For the purposes of establishing consistent benchmarks for the audit the following Treasury and DPAC documents were used for assessment purposes:

- *Fleet Management Agreement* (F200)[3]
- *Policy and Guidelines for the allocation and Use of Motor Vehicles within the State Service* (DPAC guidelines)[4]
- Treasurer's Instruction 1112 (TI 1112).[5]

[2] We acknowledge entities are not required to comply with government standards, but we would expect their own policies to be of a comparable standard.
[3] Department of Treasury and Finance, *Fleet Management Agreement,* Treasury, Hobart, 2014.
[4] Department of Premier and Cabinet, *Policy and Guidelines for the Allocation and Use of Motor Vehicles within the State Service,* DPAC, Hobart, 2009 (amended 2013).
[5] Department of Treasury and Finance, Treasurer's Instruction 1112: *Common use / Whole-of-government contracts and other arrangements: goods and services*, Treasury, Hobart, 2014.

The above documents are not binding on our auditees since they are not government departments, but we regarded compliance a reasonable expectation.

Timing audit

Planning for this audit began in August 2014 with fieldwork continuing until May 2015. The report was finalised in October 2015.

Resources

The audit plan recommended 1000 hours and a budget, excluding production costs, of $158 590. Total hours were 1218 and actual costs, excluding production, were $193 911 which exceeded our budget.

Why we did this audit

This audit was included in the *Annual Plan of Work 2012–13* because significant public funds are spent on the entities' vehicle fleets and in meeting day-to-day running costs.

1 Hydro Tasmania

1 Hydro Tasmania

1.1 Introduction

Hydro Tasmania (Hydro) is a government business enterprise that employs over 1100 people and is the predominant electricity generator in Tasmania. Hydro operates 30 hydro-electric and one gas-powered station as well as three wind farms[6].

Hydro owns and operates its own motor vehicle fleet, which includes approximately 230 operational and 40 executive vehicles. Operational vehicles include pool cars based in Hobart and Cambridge, which are available for short-term use as needed, and vehicles permanently stationed at Hydro depots often in remote locations and used for rough terrain.

1.2 Was there a match between fleet size and need?

1.2.1 Under-used vehicles?

Our expectation:

A commonly used benchmark[7] is that vehicles travelling less than 15 000 km per year are potentially under-used. Specific-use vehicles, e.g. emergency vehicles, or vehicles in particular locations can be an exception to this benchmark where the vehicle is essential regardless of its annual usage.

We found that average kilometres per vehicle per year was 28 379. A high 96.5 per cent of Hydro's vehicles either had annual usage in excess of the 15 000 km benchmark or were specialist vehicles because of function or location. The remainder were under internal review at the time of the audit.

We considered there was no significant evidence of under use of vehicles.

[6] Hydro Tasmania, *Annual Report 2014*, Hydro, Hobart, 2014, p.7-8.
[7] For example, Leaseplan Australia Limited, which is a provider of fleet management services.

1.2.2 New vehicles supported by business cases?

Our expectation:

That acquiring new vehicles, whether to meet new requirements or as replacements of previously purchased vehicles, would be supported by a 'zero-based' rationale[8]. That rationale should include three elements, namely:

- projections of vehicle usage sufficient to justify the purchase
- determination of the type of vehicle required, taking into account whole-of life costs
- consideration of whether to lease or purchase.

We tested a sample of new and replacement motor vehicles held as at January 2014 and found satisfactory business cases for all. The business cases included consideration of type of vehicle required, cost and fuel consumption. We also noted evidence that consideration had been given as to whether it was more cost effective to purchase or lease the vehicles.

1.2.3 Total fleet size regularly reviewed?

Our expectation:

Guidelines issued by DPAC state that Heads of Agency must keep their agency's total requirement for vehicles under regular review to ensure efficient and effective resource use.

While this guideline does not directly apply to Hydro, we regarded it as good practice. We also consider it to be good practice to supplement justification of individual purchase and lease decisions with a periodic zero-based review of the size of the fleet.

We found that Hydro has not performed a zero-based-review. Some aspects of fleet management were monitored, but the overall usage of the fleet was not considered.

However, Hydro advised that budgetary pressure and low profit forecasts had led to 25 vehicles being tagged surplus and not to be replaced.

We believe periodic reviewing fleet size to be desirable. However, despite Hydro not regularly reviewing its fleet, we found that only a low percentage of its vehicles averaged less

[8] Zero-based budgeting is the term given where every line item of the budget must be approved, starting from a zero base.

than 15 000km per year. This indicated that a lack of regular review had not led to inefficiency.

1.2.4 Bottlenecks in vehicle availability?

Our expectation:

To determine whether bottlenecks existed, we reviewed annual kilometres travelled by motor vehicles and tested for excessive use of external hire.

We found that:

- an annual average of 28 379 kilometres was comfortably above the 15 000 benchmark.
- annual cost of external hire was approximately $11 700; similar to the annual lease cost of one additional motor vehicle[9].

We found no significant evidence of bottlenecks in vehicle availability.

Section 1.2 conclusion

Hydro had effectively matched fleet size with need.

Recommendation 1

We recommend that Hydro introduce a periodic zero-based review of total fleet size and ensures it continues to effectively match fleet size with operational requirements.

1.3 Were fleet costs minimised?

1.3.1 Rotation of vehicles?

Our expectation:

One element of reducing long-term vehicle costs is reducing large disparities in vehicle usage by rotating motor vehicles across regions, functions or locations. Reasons for this include reduction in maintenance costs and maximisation of average revenue when vehicles are sold.

We found:

- the high percentage of non-specialist vehicles achieving at least 15 000 km per year indicated that there were few opportunities to rotate over used with under-used vehicles

[9] High rental costs would indicate that the vehicle fleet was too small.

- evidence of eight vehicle rotations over a 12-month period, which we regarded as a reasonable level of vehicle rotation.

We considered there was no significant evidence of failure to rotate vehicles to reduce usage disparities.

1.3.2 Vehicles well maintained?

Our expectation:

We tested whether a sample of vehicles had been maintained on standard servicing intervals of six months or 10 000 km[10], allowing a 60-day tolerance for late servicing.

We found that all of our tested vehicles met the servicing standard.

1.3.3 Fuel usage reasonable?

Our expectation:

For this criterion, we compared actual fuel usage per kilometre with manufacturer's specifications. We were aware that manufacturer's specifications do not take into account the conditions in which the motor vehicles are actually used. For example, usage could be in cities or on unmade roads that would result in poorer fuel economy. For that reason we considered small overall excesses on average across the whole fleet and excesses of up to 20 per cent on individual vehicles to be reasonable.

We tested fuel usage for all vehicles of the five most common vehicle types used by Hydro (which represented 75 per cent of the operating fleet). We found that fuel usage was a factor in the selection of new vehicles for the fleet. However, we also found that:

- on average, fuel usage was 7.5 per cent over manufacturer's specifications
- fuel usage for 27.3 per cent of vehicles was greater than manufacturer's specifications[11].

It may be that this was a reasonable result given the need for some Hydro vehicles to operate in harsh conditions, such as those in the Central Highlands and coupled with additional

[10] Servicing either every six months or after every 10 000 km is the accepted benchmark for vehicle servicing.
[11] To recognise the geography of Tasmania and the varying demands placed on fleet vehicles we allowed a 20 per cent tolerance to manufacturers' recommended fuel consumption guidelines.

weight, that is not conducive to fuel economy. Nonetheless, in our view there is a need for Hydro to review its fuel usage and provide driver training where appropriate.

1.3.4 FBT liability minimised?

Our expectation:

A fringe benefit liability commonly arises where employers make a motor vehicle available for the private use of an employee. At the time of our audit, FBT was payable at the rate of 46.5 per cent of grossed-up value of asset. In this Section, we examine whether state entities were selecting the FBT calculation method that would minimise the FBT liability.

- Tax legislation allows for two methods of calculating motor vehicle FBT liability, namely:
- statutory formula — based on the cost of the vehicle, a statutory percentage (according to the total annual kilometres travelled), the days the vehicle was available for private use divided by the days in the year (less any employee contribution)
- operating costs — calculated as a percentage of the total costs of operating the vehicle during the FBT year, according to the amount of private use. To determine the business and private use proportions, a logbook must be maintained.

We found that Hydro routinely calculated liability for each vehicle using both methods and had consistently selected the method with the lowest FBT liability.

Section 1.3 conclusion

Hydro had minimised its fleet operating costs, with the possible exception of fuel usage.

Recommendation 2

We recommend that Hydro reviews use of vehicles with fuel usage more than 20 per cent over manufacturers' combined use specifications..

1.4 Did fleet management comply with government policies?

1.4.1 Clear and well-promulgated policies?

Our expectation:

A key element in entities ensuring high levels of compliance with government policies, directions and regulation is the existence of clearly communicated internal policies and procedures.

We tested whether such policies existed and whether the policies included clear and useful content in relevant areas, including:

- authorisation and booking of cars
- private use
- home garaging
- fuel use
- logbook use
- traffic offences.

Despite Hydro not being a government agency, we found that Hydro applies government fleet guidelines as its baseline position. In addition, all of the above 'relevant areas' were well covered by instructions that were provided to employees on induction and on the intranet.

1.4.2 Was the choice of vehicles compliant?

Our expectation:

TI 1112 requires conformity with the F200 contract[12]. That contract identifies lists of motor vehicles available for purchase by different classifications of staff.

We checked three vehicle types representing 60 per cent of Hydro's operational fleet as well as an additional 16 vehicles. All acquisitions complied with the F200 contract.

1.4.3 Did greenhouse emissions comply with guidelines?

Our expectation:

DPAC motor vehicle guidelines require government passenger vehicles to have a minimum Green Vehicle Guide greenhouse rating[13] of 5.5 and light commercial and 4WD vehicles to have a minimum rating of 3.5.

We tested three vehicle types representing 60 per cent of Hydro's operational fleet as well as an additional 16 vehicles. All were compliant.

[12] F200 provides guidance on the management of the government's light passenger vehicle fleet including the purchase and disposal processes.
[13] The Australian Greenhouse Office, through its Green Vehicle Guide (www.greenvehicleguide.gov.au), maintains a system of rating cars based on factors such as fuel consumption and the level of CO2 emissions.

1.4.4 Did vehicles comply with safety standards?

Our expectation:

DPAC's motor vehicle guidelines[14] require government vehicles to at least conform with a four-star Australian New Car Assessment Program (ANCAP) safety rating or at least comply with the mandatory safety features listed in Attachment A of that document.

We checked a sample of motor vehicles for three specific safety features (namely ABS [anti-lock braking system], traction control and airbags) and found that all motor vehicles tested had those features.

1.4.5 Was usage and home garaging subject to authorisation?

Our expectation:

DPAC has indicated[15] that agencies require detailed record keeping by all vehicle users. It is also government policy that motor vehicles may only be garaged at an employee's home with an adequate level of approval.

We tested a sample of pool vehicles and dedicated-driver vehicles and found that in all cases either an electronic monitoring system or manual logbooks were used and accounted for all kilometres travelled.

Hydro prohibited private use of its operational fleet, including home garaging, except with express authorisation. We verified, for a sample of vehicles where home garaging had occurred, that prior agreements had been completed and signed.

On the other hand we were unable to locate three logbooks for our selected sample.

[14] Department of Premier and Cabinet, *Policy and Guidelines for the Allocation and Use of Motor Vehicles within the State Service*, DPAC, Hobart, Effective July 2009 (amended August 2013), Section 2.1.1.
[15] ibid., Section 4.2.

1.4.6 Were driver identification records kept?

Our expectation:

DPAC motor vehicle guidelines require agencies to keep adequate records to enable them to identify who was driving any government vehicle at any time. This is necessary when a traffic offence has occurred or a motor vehicle is damaged.

We tested a sample of pool vehicles and dedicated-driver vehicles and found that in all cases either an electronic monitoring system or manual logbooks were used and enabled identification of drivers.

Section 1.4 conclusion

Hydro complied with its own internal policies, which aligned with DPAC's. Hydro's systems were mostly effective for ensuring continuing compliance.

Recommendation 3

We recommend that Hydro ensures that logbooks or 'smart tag' systems are used and information retained for all fleet vehicles.

1.5 Was there regular monitoring and reporting of performance?

1.5.1 Was there regular monitoring of fleet management reports?

Our expectation:

Fleet management typically includes production of reports that outline overall operation and detail apparent anomalies, such as excessive fuel usage and underuse. As part of the audit, we examined the extent to which the selected entities produced and monitored such reports.

We found that Hydro monitors and acts on the following:

- overdue services
- vehicle rotation transfers
- fuel usage
- bookings for pool cars
- vehicles requiring attention.

We found little evidence that Hydro was monitoring the kilometres travelled by vehicles and whether there was a need to reduce or increase the size of the fleet. As noted in Section 1.2.1, there was little evidence of under-used vehicles. Nonetheless we consider it to be a useful area for regular monitoring.

1.5.2 Did KPIs exist to measure and motivate efficiency and effectiveness?

Our expectation:

Fleet management reports provide useful data for selected entities to recognise and act on exceptions such as underused vehicles or vehicles with high fuel usage. In addition, fleet management reports identify individual exceptions rather than providing KPIs that assess performance of the whole fleet. Possible KPIs might include:

- average fuel economy per motor vehicle
- average cost per motor vehicle
- average kilometres travelled per motor vehicle
- motor vehicle costs per FTE
- external hire as a percentage of fleet costs.

Such KPIs would drive improvements across the whole fleet rather than just identifying and acting on problems with individual motor vehicles or their drivers.

We noted that Hydro maintained data regarding fuel economy, usage, infringements, costs and external hire. However, the information was not in the form of KPIs capable of being monitored, reported, compared to a target or tracked over time.

Section 1.5 conclusion

Hydro had implemented regular monitoring of most areas of fleet performance but had not implemented KPIs to attempt to improve whole-fleet performance.

Recommendation 4

We recommend that Hydro includes vehicle usage in its monitoring regimen.

Recommendation 5

We recommend that Hydro develops fleet management KPIs to drive greater efficiency.

1.6 Conclusion

Hydro's management of vehicles was effective, efficient and compliant with relevant policies and guidelines. We identified some areas where we believe small improvements were possible, including periodic review of the size of the fleet, review of fuel usage and development of KPIs.

2 Retirement Benefits Fund

2 Retirement Benefits Fund

2.1 Introduction

RBF is a statutory authority managing various public sector superannuation schemes with total assets of approximately $5.0bn[16].

RBF, which is the default superannuation fund for the Tasmanian Government, has undergone significant change since 2008. Since then, it has moved from an in-house administered superannuation fund, to one with a wholly outsourced administration model with approximately 100 employees. At the time of audit, there were plans to merge RBF's accumulation scheme with two other superannuation organisations.

RBF's motor vehicle fleet included just four vehicles leased through Treasury's whole-of-government contract. Our argument for the inclusion of RBF was that even small organisations need to minimise their costs and ensure compliance with applicable policies and guidelines.

2.2 Was there a match between fleet size and need?

2.2.1 Under-used vehicles?

Our expectation:

A commonly used benchmark[17] is that vehicles travelling less than 15 000 km per year are potentially under-used. Specific-use vehicles, e.g. emergency vehicles, or vehicles in particular locations can be an exception to this benchmark where the vehicle is essential regardless of its annual usage.

All but one of RBF's small fleet, was travelling comfortably more than the 15 000 km benchmark. We considered there was no significant evidence of under use of vehicles.

[16] Retirement Benefits Fund, *RBF 2013–14 Annual Report, RBF,* Hobart, 2014, p.32.
[17] For example, Leaseplan Australia Limited, which is a provider of fleet management services.

2.2.2 New vehicles supported by business cases?

Our expectation:

That acquiring new vehicles, whether to meet new requirements or as replacements of previously purchased vehicles, would be supported by a 'zero-based' rationale[18]. That rationale should include three elements, namely:

- projections of vehicle usage sufficient to justify the purchase
- determination of the type of vehicle required, taking into account whole-of life costs
- consideration of whether to lease or purchase.

In June 2014, RBF's CEO approved a business case in support of replacing one of its pool vehicles due for renewal[19]. It addressed the total cost of leasing four vehicles compared to reducing the fleet to either two or three vehicles. It did not specifically refer to the type of vehicle to be leased, its fuel consumption or the costs associated with the individual vehicle, which we would have expected to be contained in a business case.

An additional business case was approved by RBF's CEO in December 2014. It noted that three of its vehicles were due for renewal and it recommended that a fleet of four vehicles be retained. We noted that individual vehicle cost and annual travel data was included.

2.2.3 Total fleet size regularly reviewed?

Our expectation:

Guidelines issued by DPAC state that Heads of Agency must keep their agency's total requirement for vehicles under regular review to ensure efficient and effective resource use.

While this guideline does not directly apply to RBF, we regarded it as good practice. We also consider it to be good practice to supplement justification of individual purchase and lease decisions with a periodic zero-based review of the size of the fleet.

We found that RBF had performed a review of its fleet size in May 2014, which had recommended retention of the existing fleet. Subsequently, as mentioned in Section 2.2.2, the size of the

[18] Zero-based budgeting is the term given where every line item of the budget must be approved, starting from a zero base.
[19] Prior to the 2014 approval, a 2013 consultant's report also recommended the retention of a four-vehicle fleet.

fleet was again, more comprehensively, reviewed later in the year.

2.2.4 Bottlenecks in vehicle availability?

Our expectation:

To determine whether bottlenecks existed, we reviewed annual kilometres travelled by motor vehicles and tested for excessive use of external hire.

We found that:

- average kilometres was not excessive
- annual cost of external hire had been very low over the past three years.

We considered there was no significant evidence of bottlenecks in vehicle availability.

Section 2.2 conclusion

RBF had effectively matched fleet size with need.

Recommendation 6

We recommend that individual vehicle business cases prepared by RBF should as a minimum address:

- type of vehicle
- whole-of-life costs
- fuel consumption analysis
- discussion of alternatives.

2.3 Were fleet costs minimised?

2.3.1 Rotation of vehicles?

Our expectation:

One element of reducing long-term vehicle costs is reducing large disparities in vehicle usage by rotating motor vehicles across regions, functions or locations. Reasons for this include reduction in maintenance costs and maximisation of average revenue when vehicles are sold.

However, with only four vehicles, each with similar usage, there was no opportunity to reduce disparities through rotation.

2.3.2 Vehicles well maintained?

Our expectation:

We tested whether a sample of vehicles had been maintained on standard servicing intervals of six months or 10 000 km, allowing a 60-day tolerance for late servicing.

We found that all tested vehicles met the servicing standard.

2.3.3 Fuel usage reasonable?

Our expectation:

For this criterion, we compared actual fuel usage per kilometre with manufacturer's specifications. We were aware that manufacturer's specifications do not take into account the conditions in which the motor vehicles are actually used. For example, usage could be in cities or on unmade roads that would result in poorer fuel economy. For that reason we considered small overall excesses on average across the whole fleet and excesses of up to 20 per cent on individual vehicles to be reasonable.

We found that RBF did not match fuel dockets with invoices and was unable to provide us with information relating to fuel usage. We were advised that RBF questions staff over excessive fuel invoices. Whilst the potential savings of fuel monitoring are low for a small fleet, we would encourage monitoring to ensure fuel cards are being used appropriately and that vehicles are being driven in accordance with RBF's policies and guidelines.

2.3.4 FBT liability minimised?

Our expectation:

A fringe benefit liability commonly arises where employers make a motor vehicle available for the private use of an employee. At the time of our audit, FBT was payable at the rate of 46.5 per cent of grossed-up value of asset. In this Section, we examine whether state entities were selecting the FBT calculation method that would minimise the FBT liability.

- Tax legislation allows for two methods of calculating motor vehicle FBT liability, namely:
- statutory formula — based on the cost of the vehicle, a statutory percentage (according to the total annual kilometres travelled), the days the vehicle was available for private use divided by the days in the year (less any employee contribution)
- operating costs — calculated as a percentage of the total costs of operating the vehicle during the FBT year, according to the amount of private use. To determine the business and private use proportions, a logbook must be maintained.

RBF has been minimising FBT liabilities by:

- garaging on RBF sites
- no longer including vehicles in executive remuneration packages.

Section 2.3 conclusion

RBF had minimised its fleet operating costs.

Recommendation 7

We recommend that RBF monitor fuel usage to ensure fuel cards are being used appropriately and that vehicles are being driven in accordance with RBF's policies and guidelines.

2.4 Did fleet management comply with government policies?

2.4.1 Clear and well-promulgated policies?

Our expectation:

A key element in entities ensuring high levels of compliance with government policies, directions and regulation is the existence of clearly communicated internal policies and procedures.

We tested whether such policies existed and whether the policies included clear and useful content in relevant areas, including:

- authorisation and booking of cars
- private use
- home garaging
- fuel use
- logbook use
- traffic offences.

We found that RBF had a policy that covered all of the above matters. However, we had concerns as to the clarity of the content relating to authorisation (unclear as to requirements for a driving licence to have been sighted) or fuel use (no mention of acquitting fuel dockets against invoices).

2.4.2 Was the choice of vehicles compliant?

Our expectation:

TI 1112 requires conformity with the F200 contract[20]. That contract identifies lists of motor vehicles available for purchase by different classifications of staff.

We found that RBF's vehicles were from the approved Treasury F200 tender contract list.

[20] F200 provides guidance on the management of the government's light passenger vehicle fleet including the purchase and disposal processes.

2.4.3 Did greenhouse emissions comply with guidelines?

Our expectation:

DPAC motor vehicle guidelines require government passenger vehicles to have a minimum Green Vehicle Guide greenhouse rating[21] of 5.5 and light commercial and 4WD vehicles to have a minimum rating of 3.5.

We found that all RBF vehicles achieved a greenhouse rating of at least 5.5.

2.4.4 Did vehicles comply with safety standards?

Our expectation:

DPAC's motor vehicle guidelines[22] require government vehicles to at least conform with a four-star Australian New Car Assessment Program (ANCAP) safety rating or at least comply with the mandatory safety features listed in Attachment A of that document.

We checked all RBF motor vehicles for three specific safety features (namely ABS [anti-lock braking system], traction control and airbags) and found that all motor vehicles tested had those features.

2.4.5 Was usage and home garaging subject to authorisation?

Our expectation:

DPAC has indicated[23] that agencies require detailed record keeping by all vehicle users. It is also government policy that motor vehicles may only be garaged at an employee's home with an adequate level of approval.

To ascertain whether records existed to evidence the proper use of vehicles, we conducted a sample test of logbooks to determine if there was an unbroken record of odometer readings.

We found that records were continuous, and concluded that vehicle usage had been authorised. We also noted no instances of home garaging.

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[21] The Australian Greenhouse Office, through its Green Vehicle Guide (www.greenvehicleguide.gov.au), maintains a system of rating cars based on factors such as fuel consumption and the level of CO2 emissions.
[22] Department of Premier and Cabinet, *Policy and Guidelines for the Allocation and Use of Motor Vehicles within the State Service*, DPAC, Hobart, Effective July 2009 (amended August 2013), Section 2.1.1.
[23] ibid., Section 4.2

2.4.6 Were driver identification records kept?

Our expectation:

DPAC motor vehicle guidelines require agencies to keep adequate records to enable them to identify who was driving any government vehicle at any time. This is necessary when a traffic offence has occurred or a motor vehicle is damaged.

To ascertain whether records existed to evidence the proper use of vehicles, we conducted a sample test of logbooks and verified that drivers had been identified for all entries.

We noted that, contrary to RBF policy, there were a number of instances where there was no evidence that a driver's licence had been provided. Non-enforcement of the requirement could expose RBF to legal and insurance risks should an unlicensed driver be involved in a serious incident.

Section 2.4 conclusion

RBF complied with internal policies, which aligned with departmental policies, and had mostly effective systems for continuing to do so.

Recommendation 8

We recommend that RBF ensure all drivers of motor vehicles from its fleet have provided evidence of a current driver's licence.

Recommendation 9

We recommend that RBF develop a policy and procedure to ensure fuel dockets are regularly matched to invoices.

2.5 Was there regular monitoring and reporting of performance?

2.5.1 Was there regular monitoring of fleet management reports?

Our expectation:

Fleet management typically includes production of reports that outline overall operation and detail apparent anomalies, such as excessive fuel usage and underuse. As part of the audit, we examined the extent to which the selected entities produced and monitored such reports.

We noted that a review of fleet size including vehicle usage had occurred in May 2014. However, we found no evidence of regularly produced and monitored reporting of vehicle usage. We also found no evidence of production of regular fleet management reports, such as:

- overdue servicing
- fuel usage
- bookings for pool cars
- vehicles needing attention.

2.5.2 *Did KPIs exist to measure and motivate efficiency and effectiveness?*

Our expectation:

Fleet management reports provide useful data for selected entities to recognise and act on exceptions such as underused vehicles or vehicles with high fuel usage. In addition, fleet management reports identify individual exceptions rather than providing KPIs that assess performance of the whole fleet. Possible KPIs might include:

- average fuel economy per motor vehicle
- average cost per motor vehicle
- average kilometres travelled per motor vehicle
- motor vehicle costs per FTE
- external hire as a percentage of fleet costs.

Such KPIs would drive improvements across the whole fleet rather than just identifying and acting on problems with individual motor vehicles or their drivers.

However, for a small fleet such as RBF's, we accept that the benefits would be too small to justify the expense and effort of developing and reporting KPIs.

Section 2.5 conclusion

RBF performed little regular monitoring of the performance of its fleet.

Recommendation 10

We recommend that RBF uses the vehicle management reports that are available through Treasury's whole-of-government contract.

2.6 *Conclusion*

RBF's management of vehicles was effective, efficient and compliant with relevant policies and guidelines. Two areas where we considered improvements were necessary was ensuring users of its fleet had provided evidence of a current driver's licence and monitoring of the use of its fleet in areas such as vehicle and fuel usage.

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3 Tasmania Fire Service

3 Tasmania Fire Service

3.1 Introduction

The TFS forms part of the Department of Police and Emergency Management.[24] It manages over 230 fire brigades across Tasmania and its islands. These fire brigades are comprised of around 250 career fire-fighters and approximately 4800 volunteer fire-fighters.

Functions of the TFS include:

- emergency response
- fire investigation
- community fire education
- fire alarm monitoring.

TFS owns its entire fleet of vehicles, which are categorised as either operational or support. The operational fleet comprises 486 vehicles (alternatively known as fire appliances), whilst there are 115 vehicles in the support fleet. The audit examined vehicle usage across the entire fleet, only excluding museum vehicles.

3.2 Was there a match between fleet size and need?

3.2.1 Under-used vehicles?

Our expectation:

A commonly used benchmark[25] is that vehicles travelling less than 15 000 km per year are potentially under-used. Specific-use vehicles, e.g. emergency vehicles, or vehicles in particular locations can be an exception to this benchmark where the vehicle is essential regardless of its annual usage.

TFS was unable to provide information on kilometres travelled other than for a one month period, which we were advised was from 2014.

We were, therefore, unable to determine whether vehicles were under-used at TFS.

[24] Whilst TFS forms part of the Department of Police and Emergency Management, it is not subject to the *Financial Management and Audit Act 1990.* Therefore, TFS does not have to comply with government agency motor vehicle directives and policies.
[25] For example, Leaseplan Australia Limited, which is a provider of fleet management services.

3.2.2 New vehicles supported by business cases?

Our expectation:

That acquiring new vehicles, whether to meet new requirements or as replacements of previously purchased vehicles, would be supported by a 'zero-based' rationale[26]. That rationale should include three elements, namely:

- projections of vehicle usage sufficient to justify the purchase
- determination of the type of vehicle required, taking into account whole-of life costs
- consideration of whether to lease or purchase.

TFS was unable to provide business cases for acquisition of new vehicles. We were advised of a 'whiteboard exercise' to compare the lease and purchase options, performed some years ago, but no documentation had been retained.

3.2.3 Total fleet size regularly reviewed?

Our expectation:

Guidelines issued by DPAC state that Heads of Agency must keep their agency's total requirement for vehicles under regular review to ensure efficient and effective resource use.

We also consider it to be good practice to supplement justification of individual purchase and lease decisions with a periodic review of the size of the fleet.

TFS's view was that the size of the fleet had been established over many years, based on service requirements and risks. In addition, 'user group' forums regularly reviewed requirements as an integral part of the replacement program.

Our view is that any such review is necessarily limited by the absence of reliable usage data and we were not persuaded that total fleet size had been adequately reviewed.

3.2.4 Bottlenecks in vehicle availability?

Our expectation:

To determine whether bottlenecks existed, we reviewed annual kilometres travelled by motor vehicles and tested for excessive use of external hire.

[26] Zero-based budgeting is the term given where every line item of the budget must be approved, starting from a zero base.

External local car hire was $5065 in 2013–14 and $4636 in 2012–13, which was considerably less than the annual cost of an addition vehicle.

We concluded there was no significant evidence of bottlenecks in vehicle availability.

Section 3.2 conclusion

We are unable to reliably conclude as to whether there was a match between fleet size and need because of inadequate information, lack of business cases for new acquisitions and lack of review over overall fleet size.

Recommendation 11

We recommend that TFS maintain and monitor records of individual fleet usage for its entire fleet.

Recommendation 12

We recommend that TFS routinely prepare a business case or rationale to support acquisition of new vehicles.

Recommendation 13

We recommend that TFS introduce a periodic review of total fleet size and need.

3.3 Were fleet costs minimised?

3.3.1 Rotation of vehicles?

Our expectation:

One element of reducing long-term vehicle costs is reducing large disparities in vehicle usage by rotating motor vehicles across regions, functions or locations. Reasons for this include reduction in maintenance costs and maximisation of average revenue when vehicles are sold.

TFS provided examples of transfers made between high-use and lower-use areas. However, in the absence of usage data as discussed in Section 3.2.1, we were unable to evaluate the effectiveness of rotation at TFS.

3.3.2 Vehicles well maintained?

Our expectation:

We tested whether a sample of vehicles had been maintained on standard servicing intervals of six months or 10 000 km, allowing a 60-day tolerance for late servicing.

We found that TFS vehicles had not been well maintained, with only 25 per cent of vehicles tested complying with our servicing benchmark[27].

3.3.3 Fuel usage reasonable?

Our expectation:

For this criterion, we compared actual fuel usage per kilometre with manufacturer's specifications. We were aware that manufacturer's specifications do not take into account the conditions in which the motor vehicles are actually used. For example, usage could be in cities or on unmade roads that would result in poorer fuel economy. For that reason we considered small overall excesses on average across the whole fleet and excesses of up to 20 per cent on individual vehicles to be reasonable.

We tested records for 16 randomly selected TFS vehicles but found incomplete data from fuel downloads, multiple gaps in records and missing or incorrect odometer readings.

We were therefore not able to determine whether fuel usage was reasonable.

3.3.4 FBT liability minimised?

Our expectation:

A fringe benefit liability commonly arises where employers make a motor vehicle available for the private use of an employee. At the time of our audit, FBT was payable at the rate of 46.5 per cent of grossed-up value of asset. In this Section, we examine whether state entities were selecting the FBT calculation method that would minimise the FBT liability.

- Tax legislation allows for two methods of calculating motor vehicle FBT liability, namely:
- statutory formula — based on the cost of the vehicle, a statutory percentage (according to the total annual kilometres travelled), the days the vehicle was available for private use divided by the days in the year (less any employee contribution)
- operating costs — calculated as a percentage of the total costs of operating the vehicle during the FBT year, according to the amount of private use. To determine the business and private use proportions, a logbook must be maintained.

[27] For consistency we adopted a 10 000 km or six-monthly servicing benchmark. However, scheduled intervals of 10 000 km is not common across the TFS fleet in that intervals vary from 15 000 to 20 000 km, depending upon the make of vehicle.

We found that TFS had performed calculations for its vehicles using both methods and selected the least costly method.

Section 3.3 conclusion

TFS had minimised its FBT liability. However, maintenance was frequently not performed when required and we were unable to conclude whether fuel and usage costs had been minimised because of unavailability of reliable data.

Recommendation 14

We recommend that TFS monitors usage of its fleet and looks for opportunities to equalise use of vehicles.

Recommendation 15

We recommend that TFS regularly monitor fuel usage. This will require TFS to enforce provision of odometer readings when drivers purchase fuel.

Recommendation 16

We recommend that TFS monitors and enforces vehicle maintenance at scheduled dates or kilometres.

3.4 Did fleet management comply with government policies?

3.4.1 Clear and well-promulgated policies?

Our expectation:

A key element in entities ensuring high levels of compliance with government policies, directions and regulation is the existence of clearly communicated internal policies and procedures.

We tested whether such policies existed and whether the policies included clear and useful content in relevant areas, including:

- authorisation and booking of cars
- private use
- home garaging
- fuel use
- logbook use
- traffic offences.

We found that there was coverage of all of the above matters in various locations, including TFS's intranet, internal policies (administrative instructions) and logbook instructions.

On the other hand, there was evidence from other tests, such as fuel usage in Section 3.3.3, that some of the policies were being routinely ignored. We would argue that TFS needs to consider

finding methods of better promulgating and enforcing the instructions, for example using the induction process, regular alerts and staff forums, training sessions and performance management.

3.4.2 Was the choice of vehicles compliant?

Our expectation:

TI 1112 requires conformity with the F200 contract[28]. That contract identifies lists of motor vehicles available for purchase by different classifications of staff.

We found that a sample of TFS vehicles acquired within the past three years were all from the approved Treasury F200 tender contract list.

3.4.3 Did greenhouse emissions comply with guidelines?

DPAC motor vehicle guidelines require government passenger vehicles to have a minimum Green Vehicle Guide greenhouse rating[29] of 5.5 and light commercial and 4WD vehicles to have a minimum rating of 3.5.

We found that a sample of TFS vehicles acquired within the past three years were all compliant with the greenhouse guidelines.

3.4.4 Did vehicles comply with safety standards?

Our expectation:

DPAC's motor vehicle guidelines[30] require government vehicles to at least conform with a four-star Australian New Car Assessment Program (ANCAP) safety rating or at least comply with the mandatory safety features listed in Attachment A of that document.

We found that a sample of TFS vehicles acquired within the past three years were all rated at four-star or better on the ANCAP ratings.

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[28] F200 provides guidance on the management of the government's light passenger vehicle fleet including the purchase and disposal processes.
[29] The Australian Greenhouse Office, through its Green Vehicle Guide (www.greenvehicleguide.gov.au), maintains a system of rating cars based on factors such as fuel consumption and the level of CO2 emissions.
[30] Department of Premier and Cabinet, *Policy and Guidelines for the Allocation and Use of Motor Vehicles within the State Service*, DPAC, Hobart, Effective July 2009 (amended August 2013), Section 2.1.1.

3.4.5 Was usage and home garaging subject to authorisation?

Our expectation:

DPAC has indicated[31] that agencies require detailed record keeping by all vehicle users. It is also government policy that motor vehicles may only be garaged at an employee's home with an adequate level of approval.

We tested a sample of 16 TFS vehicles for evidence that use was consistently authorised. We were advised that logbooks were not kept for vehicles other than during a 12-week period for FBT purposes.

We found that the vehicle database included a nominated person for six of the vehicles. For the remaining ten, a brigade or group had been nominated rather than a person. We were advised that allocation within brigades or groups to a non-dedicated driver was subject to authorisation from divisional managers, but in the absence of logbooks we were unable to confirm authorisation.

We also noted that TFS had a booking authorisation process for pool vehicles. Nonetheless, our overall rating was that authorisation processes were not fully satisfactory. We accept that responding to critical incidents is a higher priority than prior completion of logbooks. Nonetheless we consider it essential that records are completed to document that use was by an authorised user.

With regard to home garaging, TFS had an administrative instruction that applied different policies to categories of users. We tested a sample of 16 vehicles and confirmed that home garaging was allowed under the policy for five vehicles. However, in the absence of logbooks we could not ascertain whether home garaging had occurred or who were the users of the other vehicles. For that reason, we were unable to conclude that all home garaging had been authorised, which may have FBT implications.

[31] ibid., Section 4.2

3.4.6 Were driver identification records kept?

Our expectation:

DPAC motor vehicle guidelines require agencies to keep adequate records to enable them to identify who was driving any government vehicle at any time. This is necessary when a traffic offence has occurred or a motor vehicle is damaged.

As noted, in Section 3.4.5, TFS did not maintain logbooks, and information was not available as to who was driving a vehicle at any given time.

Section 3.4 conclusion

TFS had clear fleet management policies and instructions. However we found that some of the policies were being routinely ignored.

TFS was compliant with government policy in regards to choice of vehicles, emissions and safety. However, non-use of logbooks made it impossible to determine whether all vehicle use was authorised and to identify who was the driver in the event of a traffic offence or accident.

Recommendation 17

We recommend that TFS implement more effective methods to promulgate and enforce its policies and instructions, such as induction processes, regular alerts, staff forums, training sessions and performance management.

Recommendation 18

We recommend that TFS implement the use and retention of logbooks and require completion for all trips, to ensure all use is authorised and that drivers can always be subsequently identified.

3.5 Was there regular monitoring and reporting of performance?

3.5.1 Was there regular monitoring of fleet management reports?

Our expectation:

Fleet management typically includes production of reports that outline overall operation and detail apparent anomalies, such as excessive fuel usage and underuse. As part of the audit, we examined the extent to which the selected entities produced and monitored such reports.

We found very little production or monitoring of fleet reports, with even fuel reports provided by suppliers being impaired by the failure of drivers to provide odometer readings.

3.5.2 Did KPIs exist to measure and motivate efficiency and effectiveness?

Our expectation:

Fleet management reports provide useful data for selected entities to recognise and act on exceptions such as underused vehicles or vehicles with high fuel usage. In addition, fleet management reports identify individual exceptions rather than providing KPIs that assess performance of the whole fleet. Possible KPIs might include:

- average fuel economy per motor vehicle
- average cost per motor vehicle
- average kilometres travelled per motor vehicle
- motor vehicle costs per FTE
- external hire as a percentage of fleet costs.

Such KPIs would drive improvements across the whole fleet rather than just identifying and acting on problems with individual motor vehicles or their drivers.

We were advised that no KPIs were used that were specific to the vehicle fleet.

Section 3.5 conclusion

TFS performed very little monitoring of its fleet performance and no use of KPIs for the vehicle fleet.

Recommendation 19

We recommend that TFS consider using an external fleet management organisation to provide exception reports and to assist with fleet management.

Recommendation 20

We recommend that TFS develops fleet management KPIs to drive efficiency.

3.6 Conclusion

Based on our criteria, TFS's management of vehicles did not indicate that they were used in an efficient or effective manner, due to:

- only inadequate and unreliable information being available to assess many aspects of performance such as usage, maintenance and fuel consumption
- insufficient information being available to assess whether there was a match between fleet size and need

- TFS being unable to demonstrate that it had minimised its fleet operating costs with regard to fuel and maintenance
- TFS performing very little monitoring of its fleet performance and had not established KPIs.

With respect to compliance with government policy, TFS had a clear fleet management policy and was compliant with government policy in regards to choice of vehicles, emissions and safety. However, problems with logbooks led to a lack of compliance with respect to driver identification and prevented us from forming a view as to compliance with authorisation and home garaging policies.

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4 University of Tasmania

4 University of Tasmania

4.1 Introduction

UTAS is a public research university that was founded in 1890, which offers various undergraduate and graduate programs in a range of disciplines and has links with numerous research organisations.

In 2014, it had approximately 2700 academic and administrative staff and 34 000 students, spread across three main regional campuses and two small campuses in Sydney[32].

UTAS has a large and diverse fleet, reflecting the varied activities it undertakes. This includes the need to have a number of specialised vehicles such as farm vehicles, boom trucks and electric cars. On top of that, the Australian Maritime College, which is part of UTAS, has its own dedicated fleet. UTAS's fleet included approximately 60 centrally operated pool vehicles and 80 vehicles allocated to individual faculties. UTAS owns and manages its own vehicle fleet.

4.2 Was there a match between fleet size and need?

4.2.1 Under-used vehicles?

Our expectation:

A commonly used benchmark[33] is that vehicles travelling less than 15 000 km per year are potentially under-used. Specific-use vehicles, e.g. emergency vehicles, or vehicles in particular locations can be an exception to this benchmark where the vehicle is essential regardless of its annual usage.

We found:

- UTAS had 143 operational vehicles in early 2015
- approximately 60 vehicles were centrally operated, with the balance allocated to faculties across three campuses
- UTAS was only able to provide kilometre data for 85 vehicles in 2014, mostly centrally operated pool vehicles. Availability of kilometre data was dependent on drivers providing odometer readings when purchasing fuel

[32] University of Tasmania, *Annual Report 2014*, UTAS, Hobart, 2015.
[33] For example, Leaseplan Australia Limited, which is a provider of fleet management services.

- of the vehicles with data provided for 2014, 24 of 85 vehicles (28 per cent) had travelled less than 15 000 km in that year. Furthermore, a 2014 consultant's report found that eight per cent of vehicles travelled less than 10 000 kms per annum
- average 2014 kilometres was 31 555, however individual vehicle usages included some extremely high results including 226 091, 178 912 and 153 669 kms for individual cars. We were advised that these high readings were the result of incorrect data being entered into UTAS's system. For that reason we preferred the median of the data rather than the average. The median reading was 22 749
- analysis across years was ineffective because only 29 vehicles had annual kilometre data for 2012, 2013 and 2014.

On that basis, we determined that an excessive percentage (28 per cent) of vehicles were under-used and that UTAS had inadequate records to assess whether there was a match between fleet size and need. Notwithstanding the above, we do acknowledge that UTAS does own a number of specialised vehicles that we would not expect to travel anywhere near our benchmark of 15 000 km.

4.2.2 New vehicles supported by business cases?

Our expectation:

That acquiring new vehicles, whether to meet new requirements or as replacements of previously purchased vehicles, would be supported by a 'zero-based' rationale[34]. That rationale should include three elements, namely:

- projections of vehicle usage sufficient to justify the purchase
- determination of the type of vehicle required, taking into account whole-of life costs
- consideration of whether to lease or purchase.

We were advised that business cases for vehicle purchase were prepared and approved at the faculty or school level. However, UTAS had also introduced a new requirement for all future requests to be accompanied by a business case for central approval.

[34] Zero-based budgeting is the term given where every line item of the budget must be approved, starting from a zero base.

We noted that UTAS had engaged a consultant who considered the question of whether to buy or lease new vehicles, in a 2014 report. However, we were not supplied with evidence that business cases or rationales had been prepared to support new acquisitions.

We were not persuaded that business cases or rationales, which addressed our three elements, were routinely prepared and approved for new vehicle acquisitions.

4.2.3 Total fleet size regularly reviewed?

Our expectation:

Guidelines issued by DPAC state that Heads of Agency must keep their agency's total requirement for vehicles under regular review to ensure efficient and effective resource use.

We also consider it to be good practice to supplement justification of individual purchase and lease decisions with a periodic review of the size of the fleet.

UTAS engaged an external consultant to undertake a strategic review of the ownership and management of its vehicle fleet. The consultant reported its findings in 2014 and found:

> … there were a range of issues with the current fleet management policies. The absence of an-in-house fleet management system means there is limited data on which to make well-founded decisions.

The report concluded that whilst leasing its vehicle fleet may be costlier than running its own fleet, there may be advantages in using management reporting and broader fleet management services. We were advised that UTAS has decided to implement the consultant's recommendation to implement a low-cost, but fit-for-purpose, fleet management system.

4.2.4 Bottlenecks in vehicle availability?

Our expectation:

To determine whether bottlenecks existed, we reviewed annual kilometres travelled by motor vehicles and tested for excessive use of external hire.

We found that:

- Median kilometres for the 60 per cent of the fleet for which we had data, was a comfortable 22 749, which suggested a need for vehicle hire was unlikely due to a lack of pool or faculty vehicles.

- Annual cost of external hire was approximately $90 000 per annum, similar to the annual cost of seven to eight additional motor vehicles.
- Analysis suggested that hire usually involved larger carrying capacity vehicles such as eight- and 12-seater vehicles.

We considered there was no significant evidence of bottlenecks in vehicle availability.

Section 4.2 conclusion

We are unable to reliably conclude as to whether there was a match between fleet size and need because of inadequate information, lack of business cases for new acquisitions and lack of review over overall fleet size. However, it appeared likely that UTAS had more vehicles than needed.

Recommendation 21

We recommend that UTAS maintain and monitor records of individual fleet usage for its entire fleet including vehicles allocated to faculties.

Recommendation 22

We recommend that UTAS enforce provision of odometer readings when drivers purchase fuel.

Recommendation 23

We recommend that UTAS routinely prepare a business case or rationale to support acquisition of new vehicles.

Recommendation 24

We recommend that UTAS introduce a periodic review of total fleet size and need to ensure it continues to effectively match fleet size with need.

4.3 Were fleet costs minimised?

4.3.1 Rotation of vehicles?

Our expectation:

One element of reducing long-term vehicle costs is reducing large disparities in vehicle usage by rotating motor vehicles across regions, functions or locations. Reasons for this include reduction in maintenance costs and maximisation of average revenue when vehicles are sold.

Ideally, we would test the effectiveness of the rotation policy using standard deviations of car usage as a measure of how evenly fleet vehicles had been used over time. However, this was

not possible because of the data limitations discussed in Section 4.2.1.

The high percentage of vehicles sampled (28 per cent) travelling less than 15 000 km in 2014 suggested there were opportunities to rotate the fleet and reduce long-term costs.

We were provided with some evidence of vehicle transfers although they appeared to be motivated by other operational reasons. Given the data limitations, it seemed unlikely that an effective rotation policy was in place.

4.3.2 Vehicles well maintained?

Our expectation:

We tested whether a sample of vehicles had been maintained on standard servicing intervals of six months or 10 000 km, allowing a 60-day tolerance for late servicing.

There was no effective functional service reporting mechanism to track servicing of vehicles. Hence we had to sight individual service logbooks to gauge whether vehicles had been serviced on time.

We found that 11 of 16 tested service logbooks indicated that servicing had not been performed within 60 days of the scheduled date. We also noted vehicles with missing or incomplete service histories.

We considered that UTAS vehicles had not been maintained in line with manufacturer's recommendations.

4.3.3 Fuel usage reasonable?

Our expectation:

For this criterion, we compared actual fuel usage per kilometre with manufacturer's specifications. We were aware that manufacturer's specifications do not take into account the conditions in which the motor vehicles are actually used. For example, usage could be in cities or on unmade roads that would result in poorer fuel economy. For that reason we considered small overall excesses on average across the whole fleet and excesses of up to 20 per cent on individual vehicles to be reasonable.

We found no evidence that UTAS was monitoring fuel usage. We also reviewed the Fleet Control Report provided by UTAS's fuel supplier that provides information of litres of fuel purchased and odometer readings for each fleet vehicle. However, failure of drivers to provide odometer readings when purchasing fuel had left the reports incapable of supporting examination of fuel usage.

We were therefore not able to determine whether fuel usage was reasonable.

4.3.4 FBT liability minimised?

Our expectation:

A fringe benefit liability commonly arises where employers make a motor vehicle available for the private use of an employee. At the time of our audit, FBT was payable at the rate of 46.5 per cent of grossed-up value of asset. In this Section, we examine whether state entities were selecting the FBT calculation method that would minimise the FBT liability.

- Tax legislation allows for two methods of calculating motor vehicle FBT liability, namely:
- statutory formula — based on the cost of the vehicle, a statutory percentage (according to the total annual kilometres travelled), the days the vehicle was available for private use divided by the days in the year (less any employee contribution)
- operating costs — calculated as a percentage of the total costs of operating the vehicle during the FBT year, according to the amount of private use. To determine the business and private use proportions, a logbook must be maintained.

We were advised that UTAS only calculated FBT liability using the statutory logbook method. UTAS was unable to provide evidence that the logbook method produced the lowest FBT liability.

Section 4.3 conclusion

UTAS had not minimised its fleet operating costs concerning rotation of vehicles, fuel, maintenance and FBT liability.

Recommendation 25

We recommend that UTAS avoids large disparities in vehicle usage by rotating motor vehicles across faculties and regions.

Recommendation 26

We recommend that UTAS regularly monitors fuel usage. This will require UTAS to enforce the provision of odometer readings when drivers purchase fuel.

Recommendation 27

We recommend that UTAS monitors and enforces vehicle maintenance at scheduled dates or kilometres.

Recommendation 28

We recommend that UTAS either routinely calculate FBT liability for each vehicle using both the statutory formula and operating-cost methods or at least performs analysis to establish whether significant savings might be possible.

4.4 Did fleet management comply with government policies?

4.4.1 Clear and well-promulgated policies?

Our expectation:

A key element in entities ensuring high levels of compliance with government policies, directions and regulation is the existence of clearly communicated internal policies and procedures.

We tested whether such policies existed and whether the policies included clear and useful content in relevant areas, including:

- authorisation and booking of cars
- private use
- home garaging
- fuel use
- logbook use
- traffic offences.

We found that UTAS had prepared internal policies and guidelines and that all of our expected content was addressed. We were advised that the policy was promulgated by means of induction processes for new employees and via the intranet. However, we noted that the policy provided to us appeared to

be a draft with no date provided for when it had been 'approved and commenced'.

4.4.2 Was the choice of vehicles compliant?

Our expectation:

TI 1112 requires conformity with the F200 contract[35]. That contract identifies lists of motor vehicles available for purchase by different classifications of staff.

We found that UTAS's vehicles were from the approved Treasury F200 tender contract list.

4.4.3 Did greenhouse emissions comply with guidelines?

Our expectation:

DPAC motor vehicle guidelines require government passenger vehicles to have a minimum Green Vehicle Guide greenhouse rating[36] of 5.5 and light commercial and 4WD vehicles to have a minimum rating of 3.5.

We tested eight vehicle types representing 54 per cent of UTAS's operational fleet. All were compliant.

4.4.4 Did vehicles comply with safety standards?

Our expectation:

DPAC's motor vehicle guidelines[37] require government vehicles to at least conform with a four-star Australian New Car Assessment Program (ANCAP) safety rating or at least comply with the mandatory safety features listed in Attachment A of that document.

We tested eight vehicle types representing 54 per cent of UTAS's operational fleet. All had achieved a four-star or mostly five-star ANCAP rating.

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[35] F200 provides guidance on the management of the government's light passenger vehicle fleet including the purchase and disposal processes.
[36] The Australian Greenhouse Office, through its Green Vehicle Guide (www.greenvehicleguide.gov.au), maintains a system of rating cars based on factors such as fuel consumption and the level of CO2 emissions.
[37] Department of Premier and Cabinet, *Policy and Guidelines for the Allocation and Use of Motor Vehicles within the State Service*, DPAC, Hobart, Effective July 2009 (amended August 2013), Section 2.1.1.

4.4.5 Was usage and home garaging subject to authorisation?

Our expectation:

DPAC has indicated[38] that agencies require detailed record keeping by all vehicle users. It is also government policy that motor vehicles may only be garaged at an employee's home with an adequate level of approval.

UTAS requires authorisation by way of a booking slip[39] before an employee can home-garage a pool vehicle the night before a business trip.

We tested a sample of 16 departmental, pool vehicles and dedicated-driver vehicles. Results for the vehicles tested were:

- five missing logbooks or booking slips
- three vehicles had been allocated to a site without the name of a contact or responsible person
- seven vehicles had poor documentation (insufficient evidence that usage was authorised).

We also tested the 11 located logbooks in our sample for approval of any home garaging. We noted three logbooks where it appeared vehicles may have been taken home but logbook details and entries lacked sufficient detail and explanation to reliably perform our test.

4.4.6 Were driver identification records kept?

Our expectation:

DPAC motor vehicle guidelines require agencies to keep adequate records to enable them to identify who was driving any government vehicle at any time. This is necessary when a traffic offence has occurred or a motor vehicle is damaged.

We tested a sample of 16 departmental, pool vehicles and dedicated-driver vehicles. Results for the vehicles tested were:

- five missing logbooks or booking slips
- six logbooks and booking slips contained inadequate identification of driver details, e.g. first name only, illegible initials or signatures

[38] ibid., Section 4.2
[39] Booking slips record the use of UTAS pool vehicles by its staff. It is the equivalent of a logbook.

- ten logbooks/booking slips containing broken sequential odometer recordings, thus leaving no record for some kilometres travelled by the vehicle.

Section 4.4 conclusion

UTAS had a clear fleet management policy and was compliant with government policy in regards to choice of vehicles, emissions and safety. However, problems with logbooks led to a lack of compliance with respect to driver identification. The logbook problems also prevented us from forming a view as to compliance with authorisation and home garaging policies.

Recommendation 29

We recommend that UTAS ensures that logbooks are used, properly completed and retained for all fleet vehicles.

4.5 Was there regular monitoring and reporting of performance?

4.5.1 Was there regular monitoring of fleet management reports?

Our expectation:

Fleet management typically includes production of reports that outline overall operation and detail apparent anomalies, such as excessive fuel usage and underuse. As part of the audit, we examined the extent to which the selected entities produced and monitored such reports.

We found little evidence of performance monitoring at UTAS, other than:

- BP fuel reports were received, but numerous missing odometer readings did not allow effective monitoring of fuel usage
- a vehicle servicing report was maintained, which provided information on the next service date, but was not useful for highlighting missed or late services.

4.5.2 Did KPIs exist to measure and motivate efficiency and effectiveness?

Our expectation:

Fleet management reports provide useful data for selected entities to recognise and act on exceptions such as underused vehicles or vehicles with high fuel usage. In addition, fleet management reports identify individual exceptions rather than providing KPIs that assess performance of the whole fleet. Possible KPIs might include:

- average fuel economy per motor vehicle
- average cost per motor vehicle
- average kilometres travelled per motor vehicle
- motor vehicle costs per FTE
- external hire as a percentage of fleet costs.

Such KPIs would drive improvements across the whole fleet rather than just identifying and acting on problems with individual motor vehicles or their drivers.

UTAS supplied a list of KPIs, two of which appeared to have the potential to provide useful indications of performance:

- income generated
- hours booked.

However, the information supplied was only in the form of totals and thus not suitable for comparative analysis without per-vehicle calculations by the user. Also, the information did not include targets or prior information and it was unclear how it was being used to drive performance improvement.

We also thought there was potential for greater use of KPIs, particularly in the areas of managing costs (e.g. fuel use).

Section 4.5 conclusion

UTAS performed very little monitoring of its fleet performance and had made little use of KPIs.

Recommendation 30

We recommend that UTAS consider using an external fleet management organisation to provide exception reports.

Recommendation 31

We recommend that UTAS develops fleet management KPIs to drive improved efficiency.

4.6 Conclusion

UTAS's management of vehicles was not effective and efficient in that:

- only inadequate and unreliable information was available to assess many aspects of performance such as usage, maintenance and fuel consumption
- there were indications that UTAS had more vehicles than needed
- UTAS was unable to demonstrate that it had minimised its fleet operating costs with regard to rotation of vehicles, fuel, maintenance and FBT liability
- UTAS performed very little monitoring of its fleet performance and had made little use of KPIs.

With respect to compliance with government policy, UTAS had a clear fleet management policy and was compliant with equivalent government policy in regards to choice of vehicles, emissions and safety. However, problems with logbooks had led to a lack of compliance with respect to driver identification and prevented us from forming a view as to compliance with authorisation and home garaging policies.

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Independent auditor's conclusion

Independent auditor's conclusion

This independent conclusion is addressed to the President of the Legislative Council and to the Speaker of the House of Assembly. It relates to my performance audit on assessing whether the use of vehicles in state entities was effective, efficient and compliant with relevant policies and guidelines.

Audit objective

The objective of the audit was to determine whether the use of vehicles in state entities was effective, efficient and compliant with relevant policies and guidelines.

Audit scope

The audit focused on selected state entities, namely:

- Hydro Tasmania
- Retirement Benefits Fund
- Tasmania Fire Service
- University of Tasmania.

The audit concentrated on a two-year period between 1 July 2012 and 30 June 2014.

For fringe benefits tax (FBT) matters, the period under review aligns with the respective tax reporting years (i.e. 1 April 2012 to 31 March 2014).

Management responsibility

The Chief Executive Officers for Hydro Tasmania and the Retirement Benefits Fund, together with the Vice Chancellor of the University of Tasmania and the Chief Officer of the Tasmania Fire Service are responsible for implementing arrangements which ensure the existence of effective, efficient and compliant processes regarding the use of vehicle fleets in their respective organisations.

Auditor-General's responsibility

In the context of this performance audit, my responsibility was to express a conclusion on the effectiveness, efficiency and compliance of the use of vehicle fleets by the four state entities selected for this audit.

I conducted my audit in accordance with Australian Auditing Standard ASAE 3500 *Performance engagements*, which required me to comply with relevant ethical requirements relating to audit engagements. I planned and performed the audit to obtain reasonable assurance that the heads of the selected state

entities had implemented effective, efficient and compliant processes.

My work involved, in line with the audit criteria documented on Page 15, seeking appropriate audit evidence through:

- reviewing fleet managers' records
- examining motor vehicle log books
- reviewing business cases
- checking policies and guidelines
- interviewing staff.

I believe that the approach I adopted and evidence I obtained was sufficient and appropriate to provide a basis for my conclusion.

Auditor-General's conclusion

Based on the audit objective and scope and for reasons outlined in this Report, it is my conclusion that:

- both Hydro Tasmania and RBF managed their vehicle fleets effectively, efficiently and were compliant with their respective policies and guidelines
- management of TFS' and UTAS' vehicles did not indicate that they were used in an efficient or effective manner although both had clear fleet management policies and were compliant with government policy in regards to choice of vehicles, emissions and safety.

My report contains 31 recommendations aimed at addressing my conclusions. These included, for example, the need for improvements to driver identification, home garaging policy compliance, periodic review of fleet sizes, review vehicle fuel usage and improve monitoring arrangements.

H M Blake
Auditor-General
13 October 2015

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Recent reports

Recent reports

Tabled	No.	Title
June	No.12 of 2013–14	Quality of Metro services
June	No. 13 of 2013–14	Teaching quality in public high schools
Aug	No. 1 of 2014–15	Recruitment practices in the Tasmanian State Service
Sep	No. 2 of 2014–15	Follow up of selected Auditor-General reports: October 2009 to September 2011
Sep	No. 3 of 2014–15	Motor vehicle fleet management in government departments
Nov	No. 4 of 2014–15	Financial Statements of State entities, Volume 3 — Government Businesses 2013–14
Nov	No. 5 of 2014–15	Financial Statements of State entities, Volume 2 — General Government and Other State entities 2013–14
Dec	No. 6 of 2014–15	Financial Statements of State entities, Volume 1 — Analysis of the Treasurer's Annual Financial Report 2013–14
Feb	No.7 of 2014–15	Financial Statements of State entities, Volume 4 — Local Government Authorities, Joint Authorities and Tasmanian Water and Sewerage Corporation Pty Ltd 2013-14
Mar	No.8 of 2014–15	Security of information and communications technology (ICT) infrastructure
Mar	No.9 of 2014–15	Tasmanian Museum and Art Gallery: compliance with the National Standards for Australian Museums and Galleries
May	No.10 of 2014–15	Number of public primary schools
May	No.11 of 2014–15	Road management in local government
June	No.12 of 2014–15	Financial Statements of State entities, Volume 5 — State entities 30 June and 31 December 2014, findings relating to 2013–14 audits and other matters
July	No. 1 of 2015–16	Absenteeism in the State Service
August	No. 2 of 2015–16	Capital works programming and management

Current projects

Current projects

The table below contains details performance and compliance audits that the Auditor-General was conducting and relates them to the *Annual Plan of Work 2015–16* that is available on our website.

Title	**Audit objective is to…**	***Annual Plan of Work 2015–16* reference**
Provision of social housing	… form conclusions as to the effectiveness, efficiency and economy of the provision of social housing and other government assistance provided by Housing Tasmania and non-government organisations to Tasmanians in housing stress.	Page 18 Topic No. 5
Management of national parks	… form an opinion on how effectively the Parks and Wildlife Service manage the State's national parks by reference to the adequacy of planning processes and planning implementation.	Page 21 Topic No. 7
Government support for sporting and other events	… to express an opinion on whether supported events are cost effective for Tasmania and funded in accordance with applicable government policy.	Page 21 Topic No. 1 (2016–17)

AUDIT MANDATE AND STANDARDS APPLIED

Mandate

Section 17(1) of the *Audit Act 2008* states that:

> 'An accountable authority other than the Auditor-General, as soon as possible and within 45 days after the end of each financial year, is to prepare and forward to the Auditor-General a copy of the financial statements for that financial year which are complete in all material respects.'

Under the provisions of section 18, the Auditor-General:

'(1) is to audit the financial statements and any other information submitted by a State entity or an audited subsidiary of a State entity under section 17(1).'

Under the provisions of section 19, the Auditor-General:

'(1) is to prepare and sign an opinion on an audit carried out under section 18(1) in accordance with requirements determined by the Australian Auditing and Assurance Standards

(2) is to provide the opinion prepared and signed under subsection (1), and any formal communication of audit findings that is required to be prepared in accordance with the Australian Auditing and Assurance Standards, to the State entity's appropriate Minister and provide a copy to the relevant accountable authority.'

Standards Applied

Section 31 specifies that:

> 'The Auditor-General is to perform the audits required by this or any other Act in such a manner as the Auditor-General thinks fit having regard to –

(a) the character and effectiveness of the internal control and internal audit of the relevant State entity or audited subsidiary of a State entity; and

(b) the Australian Auditing and Assurance Standards.'

The auditing standards referred to are Australian Auditing Standards as issued by the Australian Auditing and Assurance Standards Board.

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