**Minister Mentor’s Office, Ministry of Defence and Rodrigues**

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**Performance Audit on “Management of the Fleet of VIP Vehicles”**

**Executive Summary**

Vehicles are purchased by Government and allocated to Senior Government Officials under the “Government Official Car Scheme”, and to eligible Members of the National Assembly. Usually, after three or four years of use, these vehicles are sent to the VIP Car Pool Unit (VIPCPU) of the Police Service. The VIPCPU has been conferred the responsibility to operate, arrange for maintenance and disposal of this fleet of vehicles (referred as VIP vehicles). The key tasks include:

* Keep the vehicles in good running condition by arranging for their repair and maintenance in collaboration with the Mechanical Engineering Services (MES) of the Ministry of Public Infrastructure and Land Transport (MPILT);
* Conveyance of VIPs during conferences and missions in Mauritius;
* Refer surplus and beyond economic repair vehicles to Boards of Survey for eventual disposal.

Provision of this VIP vehicle services forms part of the conditions of service of beneficiaries. The cost of providing these services includes the acquisition costs of these vehicles by the Ministries and Government Departments for their respective beneficiaries, and subsequent costs incurred by the Police Service once they are in the Pool. As at 31 August 2016, the Pool was reported to comprise 96 vehicles acquired at a total cost of some Rs 163 million (Duty Free).

The National Audit Office (NAO) had previously reported that VIP vehicles in the Pool were costly to maintain, underutilised and fetched relatively low disposal proceeds at public auctions, and were subject to damage through exposure to inclement weather in the absence of shelters. It was against this background that the NAO carried out this Performance Audit with the objective to assess whether VIP vehicles from the Pool were being provided at minimum cost for their intended purposes and services.

**Key Findings**

***Right Fleet Sizing to Minimise Holding Cost of VIP Vehicles***

* The VIP fleet was not properly sized with an appropriate number of vehicles and with the required specifications for service delivery. Some 70 VIP vehicles, as reported by the VIPCPU, were required on a daily basis to provide the required services. However, the Unit was able to provide the same service with less than the 70 vehicles. The Unit did not ascertain the precise number of vehicles in running condition in the Pool in its Monthly Returns. Our analysis showed that this number increased from 80 in January 2014 to reach 104 in January 2017;
* Service users’ requirements were not constantly matched with number and type of vehicles in the fleet. There was mismatch between the number of beneficiaries with specific eligibilities and corresponding number of vehicles. The actual usage for relieving/ allocation of the different categories of VIP vehicles was in the range 10 to 20 per cent, indicating surplus capacity in terms of mix and number in each category;
* Vehicles in the Pool spent more time undergoing repairs than actually being used for purposes like conference, workshops, and duty. Also, time spent standing idle in Line Barracks Compound was three times as much as that for performing tasks, such as relieving duties for which the fleet has been set up;
* Information contained in the Monthly Return on the fleet was insufficient to support adequate oversight on fleet size, usage and cost;
* Good practices in fleet management require the computation of the average monthly holding cost of vehicles to ascertain that services are provided at minimum cost. However, this was not being computed to provide an indication on the holding cost of underutilised vehicles.

***Maintenance of VIP Vehicles at Minimum Cost***

* Vehicles in the Pool were repaired and maintained irrespective of their utilisation rate and of whether they were excess to requirement. Vehicles which were lying idle had to be maintained and repaired. This unnecessarily increased the repair and maintenance cost;
* In its Circular No 17 of 2012, the Ministry of Finance and Economic Development (MoFED) recommended the calculation of “economic lives” of vehicles. Instead of maintenance and repairs being based on “economic lives”, ageing vehicles were continuously maintained and repaired until future costs were high. This brought marginal value to the fleet when compared to the costs incurred.

***Maximum Proceeds from Disposal of VIP Vehicles***

* The Board of Survey (BoS) team was involved in the survey of 47 boarded vehicles in July 2016 and fixing their Minimum Reserved Prices (MRPs). None of the members of the team had received training in valuation of vehicles, and the team was not supported by personnel having such expertise. This did not ensure that bidding during auction, started with a minimum price that reflected the market value of these vehicles;
* The disposal process of VIP vehicles took at least one year. In the meantime, the vehicles remained idle and were subject to impairment due to the inclemencies of weather and ageing, which impacted negatively on their disposal value.

**Conclusion**

The VIPCPU, supported by the MES, was providing services as per the responsibilities conferred upon it and generally in compliance with prevalent recommendations, instructions and guidelines. Key issues in execution of these activities precluded the VIPCPU from providing these services at minimum cost.

Fleet monitoring and reporting arrangements were insufficient to provide an oversight on service level and associated costs. This contributed to a fleet which was not properly sized, leading to excess and underutilised vehicles. The requirement to keep all the vehicles in the Pool in good running condition at all times, irrespective of usage rate or in excess of needs have impacted negatively on total fleet costs. Grounding of boarded vehicles over one year or more, and in the open air impaired their disposal values. Also, the current practice of setting MRPs did not ensure that bidding during auction, started with a minimum price that reflected the market value of these vehicles.

**Key Recommendations**

Overall, the same level of VIP vehicle services can be provided but with less vehicles. Less vehicles mean less holding costs, and hence, the Pool turning out to be more efficient. The following key processes need to be reviewed:

* If the priority is to provide relieving and duty services, then the right fleet size has to be worked out, inclusive of a spare capacity to cater for contingencies;
* Monthly Returns should provide information on all vehicles in the fleet, their actual usage and recommendations to dispose of vehicles in excess of requirements;
* Under the monthly cash allowance option of the “Government Official Car Scheme**”,** there is no need to acquire vehicles or provide relieving/ replacement ones. The attractiveness of this option needs to be re-examined as a way forward to minimise VIP fleet costs. Alternatively, leasing of vehicles from Local Agents may be considered;
* A cost benefit analysis should be carried out to assess whether it will be more beneficial to hire VIP cars as and when required for conferences/ workshops and seminars rather than keeping excess capacity of vehicles in the Pool for such events;
* The MES should calculate the economic lives of vehicles. This will enable disposal of larger number of vehicles with relative low age, better mechanical and physical conditions. The overall effect will be lower fleet maintenance cost and potentially higher disposal value;
* The option of carrying out auctions exclusively for VIP cars, say every six months, instead of an average of once yearly should be considered to reduce impairment of the vehicles due to age and continuous exposure to inclement weather;
* The expertise of competent persons may be hired to advise on the setting of MRPs of vehicles.

***Ministry’s Reply***

The Ministry has agreed to our findings and recommendations. Some corrective actions have already been initiated and further options are being considered.

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