REPUBLIC OF MAURITIUS

NATIONAL AUDIT OFFICE

PERFORMANCE AUDIT REPORT

MANAGEMENT OF THE FLEET OF VIP VEHICLES

Minister Mentor's Office,
Ministry of Defence and Rodrigues

DECEMBER 2017

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ABBREVIATIONS AND ACRONYMS

BoS	Board of Survey
HPC	High Powered Committee
MCSAR	Ministry of Civil Service Affairs and Administrative Reforms
MMOMDR	Minister Mentor's Office, Ministry of Defence and Rodrigues
MoFED	Ministry of Finance and Economic Development
MES	Mechanical Engineering Services
MPILT	Ministry of Public Infrastructure and Land Transport
MRP	Minimum Reserved Price
NAO	National Audit Office
PMO	Prime Minister's Office
PRB	Pay Research Bureau
VIP	Very Important Person

GLOSSARY

Adjudicated price	Selling price to the highest bidder at an auction sale
Beyond Economic Repair	An asset is considered beyond economic repair when it is more cost-effective to replace the asset than to repair it.
Holding Cost (monthly)	The monthly Holding Cost is the capital cost plus the repair and maintenance cost per month. The monthly capital cost is the purchase price net of expected disposal value, spread over the expected life in months of the vehicle.
Minimum Reserved Price	The minimum price recommended by the Board of Survey
Unwanted goods	Goods which on account of their condition are no longer required by the Department concerned. Such goods may be dormant, redundant, slow-moving, obsolete, unserviceable, damaged or condemned

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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; and

- 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 Replies

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

CHAPTER ONE

INTRODUCTION

1.1 Background

In 1991, the Prime Minister's Office (PMO) conferred the responsibility to operate, arrange for maintenance and disposal of VIP vehicles[1] to the VIP Car Pool Unit (VIPCPU) of the Police Service. As at 31 August 2016, the Pool reported that it had a fleet of 96 VIP vehicles. The acquisition costs of the fleet were estimated at some Rs 163 million (at Duty Free value). These vehicles were previously acquired for use by eligible Members of the National Assembly and Senior Government Officials under the "Government Official Car Scheme".

The VIPCPU has to provide these vehicles as and when required for relieving, allocation and other official purposes. The primary goals of this arrangement and responsibility are to ensure that these vehicles are safe, reliable, and provide the necessary functionality at an economical cost. In that respect, the key tasks of the VIPCPU include the following:

- Take on charge cars returned by Members of the National Assembly and Government Officials after four/ five years of use;
- Ensure that these vehicles are parked in a secured area and are made available for authorised use only;
- Keep the cars in good running condition by arranging for their repair and maintenance through the Engineers of the Mechanical Engineering Services (MES) of the Ministry of Public Infrastructure and Land Transport (MPILT);
- Allocate and provide relieving cars to eligible Members of the National Assembly and Government Officials upon approval of the PMO;
- Conveyance of VIPs during conferences and missions in Mauritius; and
- Refer surplus and beyond economic repair vehicles to Boards of Survey for eventual disposal.

1.2 Motivation

Provision of this VIP vehicle services forms part of the conditions of service of beneficiaries. Presently, 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. For period January 2010 to June 2016, an average of Rs 70 million had been spent annually on acquisition of new VIP vehicles for beneficiaries with new and renewed entitlements. Correspondingly, these VIP vehicles have started to be released in the Pool as from 2014 in respect of beneficiaries with

[1] A VIP Vehicle, though not defined in the documents examined, is a luxury vehicle (car and jeep) associated with a monetary and engine capacity ceiling allocated to eligible Members of the National Assembly and Senior Government Officials.

four-year entitlements, and in 2015 for those with five-year entitlements. This represented and would represent an average annual injection of vehicles costing some Rs 70 million in the Pool up to year 2021.

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 on the "Management of the Fleet of VIP Vehicles".

1.3 Audit Objective

The audit assessed whether VIP vehicles from the Pool were being provided at minimum cost for their intended purposes and services.

1.4 Audit Design

To form a conclusion against the audit objective, the audit examined whether:

- the holding costs of the vehicles were kept at minimum level?
- the total repair and maintenance costs of the fleet were being minimised?
- present arrangement ensured that maximum disposal proceeds were obtained from sale of these vehicles through auctions and all related fees and outstanding duties were paid by buyers?

In order to address the set audit objective, more specific audit questions are provided in Appendix I.

1.5 Audit Scope

This Report focussed on the operation, usage, maintenance and disposal of VIP vehicles by the VIPCPU of the Police Service, which was previously under the responsibility of the PMO. As from January 2017, the Police Service is under the aegis of Minister Mentor's Office, Ministry of Defence and Rodrigues (MMOMDR). The relevant structures, processes, procedures and practices were examined. VIP vehicles posted to Rodrigues Island and those under the responsibility of the Very Important Person Security Unit were excluded. The audit covered the period January 2014 to March 2017.

1.6 Audit Methodology

The audit was conducted in accordance with International Standards of Supreme Audit Institutions. Different methodologies were used for the audit to understand the audit area, along with obtaining sufficient, relevant and reliable audit evidence that support the conclusions and recommendations.

1.7 Methods of Data Collection

In order to carry out the audit, data was collected from files and documents review and interviews. Site visits were also carried out to confirm information in files and to get acquainted with the activities carried out and to support our conclusions.

1.7.1 Documents Reviewed

Data was collected mainly through review of VIPCPU's documents and Vehicle Maintenance Files kept at the MES. Information relating to policies, regulations, structures, processes, systems, procedures, practices and amount spent were collected through review of files, documents and databases.

1.7.2 Personnel Interviewed

Interviews were carried out with key personnel at operational, middle and senior management levels of the Police Service, PMO, Ministry of Finance and Economic Development (MoFED), MES and the Auctioneer appointed for 2017 auction sale. The interviews were used to confirm the information obtained from the documents reviewed and for providing more explanation where information was not available in the reviewed documents.

1.7.3 Physical Observations

Physical observations were carried out to ascertain the process of handing over relieving cars to beneficiaries, inspections of vehicles entering or leaving the Pool, and inspection of cars for identification of repair and maintenance requirements.

1.8 Sampling

A random sample of VIP vehicles was selected to assess the purpose for which their services were being required, their utilisation rate and compliance with established criteria. As the number of vehicles (population size) in the Pool varied during our period of examination and log books which were kept on an alternate monthly basis were not readily available to extract relevant data, non-statistical sampling was used. The sample comprised 67 vehicles out of the list of 96 vehicles submitted by the VIPCPU. This represented the capture of data of 70 per cent of the fleet which provided a confidence level of 93 per cent. It included vehicles of all engine capacities and values to match the whole range of eligibility criteria of beneficiaries. The time period of data on usage of vehicles analysed was January to August 2016 and this included the whole range of purposes for which the vehicles are normally used (relieving, allocation, duty in favour of officials/ dignitaries, conferences and national events, etc.). For maintenance and disposal, data since acquisition up to March 2017 were analysed.

1.9 Assessment Criteria

Criteria used as a basis for evaluating the evidence collected, developing audit findings and reaching conclusions on the audit objectives were extracted from the following sources:

- Legislations – The Customs Tariff Act (Section 5 - Payment of Proportionate Duty and Taxes), Sale by Auction Act, and Registration Duty Act;
- Pay Research Bureau (PRB) Reports - Recommendations in Reports of 1993, 1998, 2003, 2008, 2013 and 2016 relating to "Government Official Car Scheme" and cited legislations;
- Circulars and Instructions from PMO, MoFED, and Ministry of Civil Service and Administrative Reforms (MCSAR);
- Financial Management Kit – Financial Instructions on Disposal of Unwanted Goods and Board of Survey (BoS), Circular No. 17 of 2012 issued by MoFED;
- Maintenance guidelines and practices of the MES;
- Good practices recommended by overseas Consultants, Government Agencies and Authorities. These included :
    - Fleet Management (Tools, Policy and Guidelines) of the Wales Audit Office (United Kingdom);
    - Fleet Management Plan FY 2012 - Department of State (US);
    - 2013 Gauteng Fleet Management Annual Report (South Africa);
    - Government Fleet – Managing Public Sector Vehicles and Equipment (US);
    - Analysis of Fleet Replacement Life Cycle: Project 12-14 (US)

Other details on assessment criteria used are in the relevant Sections in this Report and in Appendix II.

1.10 Data Validation Process

Management of Police Service, MES and PMO/MMOMDR was provided with the audit criteria, findings and recommendations to confirm their relevance, accuracy and suitability.

1.11 Structure of the Audit Report

The remaining part of the Report covers the following:

- Chapter Two presents the objectives, roles and responsibilities of key players involved in the provision of VIP vehicle services. Key aspects of the current system for the acquisition, utilisation, maintenance and disposal of VIP vehicles are also described;

- Chapter Three presents the audit findings based on the three specific audit questions;
- Chapter Four provides audit conclusions;
- Chapter Five outlines recommendations which can be implemented to minimise the cost of providing VIP vehicle services.

CHAPTER TWO

DESCRIPTION OF THE AUDIT AREA

This Chapter describes the objectives, roles and responsibilities of key players involved in the provision of VIP vehicle services. Key aspects of the current system for the acquisition, utilisation, maintenance and disposal of VIP vehicles are also described.

2.0 Introduction

There are seven key players in the present arrangement - the VIPCPU operating the Pool under the control of the PMO/MMOMDR, the PRB, the High Powered Committee (HPC) determining the eligibility criteria of beneficiaries, the beneficiaries, the MoFED providing funds for acquisition of these vehicles, and the MES involved in their commissioning and maintenance. Their respective roles and responsibilities are described below.

2.1 Key Players

2.1.1 VIP Car Pool Unit

Prior to September 1991, cars purchased by MoFED for Ministers and Parliamentary Private Secretaries were directly taken on charge and maintained by the respective Ministries. As from September 1991, vehicles returned by these beneficiaries were taken on charge by the VIPCPU of the Police Service as per instruction of the PMO. The VIPCPU had to keep these vehicles in running condition by arranging for their repair and maintenance in collaboration with the MES. These vehicles were provided as replacement or relieving cars to those entitled and determined by the PMO. Also, vehicles were made available for conveyance of dignitaries, delegates and officials during conferences and national events.

The VIPCPU is managed by Police Officers for its daily operations, which include running of vehicles, fuelling, inspection of vehicles upon issues and taking on charge of VIP vehicles, conveying vehicles to MPILT and Local Agent for repair and maintenance and clerical duties.

2.1.2 Prime Minister's Office/Minister Mentor's Office, Ministry of Defence and Rodrigues

The Mauritius Police Service previously operated under the aegis of the Home Affairs Division of the PMO. The latter was responsible for the setting up of policies and procedures for the management of the VIP Car Pool in compliance with benefits determined for Public Officers and Members of the National Assembly. As from January 2017, the Police Service is under the aegis of MMOMDR.

2.1.3 Pay Research Bureau

The PRB is an independent and permanent institution for the review of Pay and Grading Structures and Conditions of Service in the Public Sector. The PRB carries out periodic reviews of the provisions of the "Government Official Car Scheme". It introduced the "Government Official Car Scheme" under which eligible Public Officers benefit from the exclusive use of a Government official car, within the prescribed ceiling value, for official use, as well as for private purposes, together with the payment of a monthly Fuel Allowance, as may be determined by the HPC.

Those not opting for an official car, benefit from the receipt of a monthly Car Allowance in lieu of the official car, together with a monthly Fuel Allowance as may be determined by the HPC and 100 per cent duty exemption for the purchase of a car of specified engine capacity, together with loan facilities up to the corresponding ceiling value, reimbursable in 60 monthly instalments at the rate of interest of four per cent per annum.

2.1.4 High Powered Committee

Any issue emanating from the implementation of the recommendations of the PRB Reports and requiring a fundamental change or is a departure from the main recommendation is referred to the HPC for consideration and appropriate decisions/actions.

The HPC, chaired by the Secretary to Cabinet and Head of the Civil Service, determines the provisions regarding the grant of chauffeur-driven Government cars, their engine capacities, the renewal periods, the Petrol Allowances and the monetary values of the private use of the car for pension purposes.

2.1.5 Beneficiaries

Beneficiaries are eligible Members of the National Assembly and Senior Government Officials under the "Government Official Car Scheme" of the PRB Report. Senior Government officials benefit from the exclusive use of a chauffeur-driven or self-driven Government car, both for their official duties and for their private purpose. They are allowed, in lieu thereof, to opt for the purchase of a car on which 100 per cent duty is exempted within the prescribed ceiling value of the official car with the payment of a monthly Car Allowance.

Beneficiaries retain the responsibility of the official car. They are required to bear the cost of "routine maintenance", such as washing, cleaning, waxing and tyre repairs and to provide shelter for the car.

2.1.6 Ministry of Finance and Economic Development

Each year, new cars are purchased for the beneficiaries of the "Government Official Car Scheme" from the Item "Acquisition of Vehicles" under Vote 28-1: "Centrally Managed Initiatives of Government" under the control of MoFED. The latter provides funds for the acquisition of official cars according to the criteria for entitlement set under the PRB Report and Circulars from the MCSAR as per the decision of the HPC.

2.1.7 Mechanical Engineering Services

Currently the commissioning, maintenance and supervision of repairs of some 405 VIP vehicles used by Ministries and Government Departments, including that of the VIPCPU, are under the responsibility of the VIP Section of MES. The VIP Section comprises Engineering staff, and support officers. The VIP vehicles are maintained and repaired at the workshops of the Local Agents concerned under the supervision of the VIP Section.

2.2 Number and Categories of Vehicles in the VIP Car Pool

As at August 2016, the VIP Car Pool had 96 vehicles in running condition and another 51 which were referred to the BoS. As at 31 January 2017, after the auction sale of 47 vehicles, the Pool had 105 vehicles in running condition, 10 proposed for examination by BoS and four unsold. Of the 105 vehicles in running condition, the VIPCPU has proposed to dispose of an excess of 25.

The types of vehicles according to the prescribed ceiling values available in the Pool as at August 2016 are as per Table 1.

Table 1 Prescribed Ceiling Values, Rating Capacities and Number of Cars in Pool

Prescribed Ceiling Value (Rs)	Rating Capacity (cc)/ (Number)	No. of Cars
900,000	1796	1
900,000 - 1,130,000	1498 (1),1596 (1),1597 (9), 1598 (1), 1796 (1), 1798 (1), 1968 (1), 1995 (7), 1997 (2), 1998 (2), 2349 (1)	27
1,130,000 - 1,220,000		0
1,220,000 - 1,500,000	1796 (3), 1984 (1), 1995 (2), 2099 (1), 4494 (1)	8
1,500,000 - 2,200,000	1796 (13) , 1984(1), 1995(1), 1997(1), 1999 (1) , 2497(10), 2773(4), 2967(4), 2987(1), 2993(13), 2996(1), 3518(1)	51
2,200,000 -2,500,000	2993 (5), 2995 (1) , 2978 (1)	7
2,500,000 - 5,500,000	2979 (1), 5462 (1)	2
Total		**96**

Source: Records of VIPCPU

2.3 Acquisition of VIP Vehicles

VIP vehicles are acquired for use by eligible Members of the National Assembly as determined by Government, and for Senior Government Officials under the "Government Official Car Scheme".

Costs of acquisition of these vehicles during the period January 2010 to June 2016 are as per Table 2.

Table 2 Cost of Acquisition for period 2010 - 2016

Year	Acquisition Costs (Rs)	No. of Cars Acquired
2010	54,659,005	n/a
2011	64,882,409	n/a
2012	107,817,709	63
2013	55,982,210	32
2014	28,789,898	18
Jan – June 2015	46,054,066	29
July 2015- June 2016	102,713,163	51
Total	**460,898,460**	

Source: Accountant General's Annual Reports and Treasury Accounting System

The entitlements as per the PRB Report 2016 recommendations / HPC decisions for Senior Government Officials and the prescribed ceiling values as per the Circular from the MCSAR are shown in Tables 3 and 4.

Table 3 Officials Drawing Basic Salary of Rs 101,000 but less than Rs 110,000

Entitlement		Renewal Period (years)	Prescribed Ceiling value
Either	**Or**		
1. Self-driven Government official car within the prescribed ceiling value 2. Monthly fuel allowance	1. Monthly Car Allowance 2. Monthly Fuel Allowance 3. 100% duty exemption for purchase of car up to 1850 cc 4. Loan facilities up to the corresponding ceiling value	5	Rs 900,000

Source: PRB Report and HPC Recommendations

Table 4 Judges and Officials Drawing Basic Salary of Rs 110,000 and above

Entitlement		Renewal Period (years)	Salary and Prescribed Ceiling value
Either	**Or**		
1. Government Official car within the prescribed ceiling value 2. Monthly fuel Allowance 3. Driver's Allowance	1. Monthly car allowance 2. Fuel Allowance 3. Driver's Allowance 4. 100% duty exemption for purchase of car up to 2000 cc 5. Loan facility up to the corresponding ceiling value	5 5 5 5 4	1. Rs 110,001 – Rs 119,000 - Rs 1,130,000 ceiling 2. Rs 119,001 – Rs 122,000 - Rs 1,220,000 ceiling 3. Rs 122,001– Rs 152,000 - Rs 1,500,000 ceiling 4. Rs 152,001- Rs 163,999 - Rs 1,800,000 ceiling 5. Rs 164,000 and above - Rs 2,200,000 ceiling

Sources: PRB Report and HPC Recommendations

2.4 Process Description

2.4.1 Utilisation of VIP Vehicles from the Pool

A beneficiary who was previously allocated a brand new vehicle is allowed to renew this car by another one on its reaching four or five years from the date of first registration as per his entitlement. After that period, such vehicles are handed over to the VIPCPU. The cars are made available to those entitled as determined by the PMO and PRB Report, in the following cases:

- Allocation of a car of up to five years old, if available, to an officer in lieu of a Car Allowance;
- Allocation of a car upon assignment of duties, appointment in a temporary capacity;
- Replacement of a car upon promotion, where the officer is eligible for a higher monetary value car, until the acquisition of a brand new car;
- Temporary replacement/ relieving of car in case of servicing and repairs

These cars are also used for duty purposes by delegates and officials from Rodrigues, as well as for conveyance of VIPs during conferences and missions in Mauritius.
The vehicle, when received at the VIPCPU, is accompanied by a Store Form No. 10 from the respective Ministry/ Government Department, which is submitted to the Transport Record

Office for inclusion in Ledger Records. An Inspection Sheet is filled in which includes the mileage on receipt, amount of fuel in tank and the physical conditions of the car. The inclusion of the vehicle in the Pool is also recorded in a Register kept by the VIPCPU.

The VIPCPU provides a car for relieving upon the receipt of an official request from the PMO/MMOMDR, MCSAR and Office of the President. Requests for new beneficiaries, Advisers, Counsellors, etc. include other information, such as the eligibility in term of engine capacity and monetary value as per their contract. At time of delivery of the vehicle, an Inspection Sheet is filled in which includes the mileage on delivery, amount of fuel in tank and the status of the car. The Driver then records the transfer in the Register.

The VIPCPU monitors daily movement of VIP vehicles by recording and updating the allocation of vehicles on a white board.

A Monthly Return of vehicles relieved, with the following details, extracted from the Register of the VIPCPU, is submitted to the PMO/MMOMDR:

- Name of the dignitary using the vehicle;
- The registration number of the official vehicle to be replaced;
- Reason for its replacement;
- The registration number of the relieving vehicle used;
- Date of delivery and return of relieving vehicle;
- Fuel level on delivery and return of relieving vehicle.

2.4.2 Maintenance of VIP Vehicles

Vehicles in the Pool are maintained and repaired at the Local Agents concerned, under the supervision of Engineers of the MES. Supervision includes the following:

- Ascertaining the fault reported by the car users before referral to the Local Agents;
- Examining the estimate of repair prior to approval to ensure that it is fair, reasonable and relevant to the fault;
- Certifying the bill for payment after the repair has been effected to their satisfaction;
- Referring vehicles beyond economic repair to BoS for eventual disposal.

The maintenance and repairs costs are met from the budget of the Police Service.

2.4.3 Disposal of VIP Vehicles

The disposal of VIP vehicles is carried out according to the Financial Instruction Circular No. 17 of 2012 – "Disposal of Unwanted Goods and Board of Survey" from MoFED. The definition of unwanted goods, according to the Circular, are goods which on account of their condition are no longer required by the Department concerned. Such goods may be dormant, redundant, slow-moving, obsolete, unserviceable, damaged or condemned.

The current system for the disposal of VIP vehicles are set out as follows:

Referral to BOS

1. Vehicles requiring repairs are referred to MES by VIPCPU, and upon recommendations of the MES, these are sent to Local Agent.
2. An estimate of repairs is forwarded to MES by Local Agent.
3. In case of major repairs requiring high expenditure, the MES assesses whether the car is Beyond Economic Repair. The criteria taken into consideration are the age of the car, mileage run, total repair and maintenance costs incurred, expected failure of major parts, and availability of cars in the same category.
4. The car assessed as Beyond Economic Repair is recommended for disposal after examination by a BoS.

Appointment and Recommendations of BoS

1. The VIPCPU, after receiving similar recommendations consolidates them into a list and submit to Warehousing Division for consideration by a BoS.
2. The Warehousing Division cumulates sufficient items to be disposed of and then makes a request to the Accounting Officer (Commissioner of Police) for the appointment of a BoS.
3. The Accounting Officer appoints a Chairperson and two members for a BoS and requests for the survey to be carried out within a specified period of time.
4. The BoS carries out a survey and recommends the method of disposal and submits the MRP.
5. The Warehousing Division requests the National Transport Authority to provide copies of Registration Cards and certificates in respect of any lien on the vehicle.
6. The Warehousing Division then requests the Mauritius Revenue Authority for Duty Clearance Certificates.

Arrangement for Sale by Auction

1. Sale by auction is carried out in accordance with the Sale by Auction Act. Request is made to the Accountant General for the designation of an Auctioneer. Following the designation, a letter of appointment is sent to the Auctioneer by the Police Service. Upon acceptance by the Auctioneer, the Police Service is notified of the date of auction sale.

2. Advertisement for auction sale is made in the press by Auctioneer, and staff of the Police Service is allocated for auction sale. On the first day of auction sale, the sealed envelope submitted by BoS is opened in the presence of the Accounting Officer, Internal Control Unit, and an officer (Coordinator) from the Warehousing Unit.

3. The auction sale is held in the presence of two representatives, one from Finance Section and one from Procurement and Supply Section of the unit concerned. The two officers must, after the sale, prepare and sign the Certificate of Sale by Auction.

4. From the list of Minimum Price, the Coordinator writes the price in small pieces of paper which he hands over discretely to the Auctioneer. The sale is conducted in the order set according to the list and the Auctioneer starts the auction with the minimum price set.

5. The final bid is recorded and a deposit recouped from the bidder immediately after adjudication followed by settlement of payment.

6. The Auctioneer remits the disposal proceeds to the Accounting Officer within one week of the date of the sale by auction. The Procurement and Supply Division submits the Sale Account of the Auctioneer, ABF 9A receipt, and Certificate of Sale by Auction to the Accounting Officer.

CHAPTER THREE

FINDINGS

This Chapter presents the findings on whether vehicles in the VIP Car Pool were appropriately managed to minimise the total holding, operating and repair and maintenance costs. It also presents the findings on whether the current process maximised the disposal proceeds. The highlights of the findings precede the relevant Sections.

3.1 Right Fleet Sizing to Minimise Holding Cost of VIP Vehicles in the Pool to Provide Services at Minimum Cost

- The high proportion of underutilised vehicles indicated that the fleet was not properly sized in terms of quantity and eligibility criteria. Underutilised vehicles impacted negatively on total holding costs of the fleet and did not ensure that vehicles were provided at minimum cost;
- The current practice of keeping ageing vehicles in the Pool, though underutilised, specifically for events like conferences, did not ensure that holding costs were being minimised. The option to hire vehicles for such events has not been appropriately addressed.

3.1.1 General

As per good practices in fleet management referred to in Appendix II, a fleet's total cost is directly proportional to the total number of vehicles in operation. The cost to keep a vehicle in a fleet, termed as holding cost, includes costs of depreciation, administration, and repair and maintenance. Total holding cost is proportional to fleet size. In order to keep holding cost optimal or minimal and at the same time provide effective services, the fleet needs to be properly sized. In such a fleet, there is an appropriate number of vehicles (size) with the required specifications (mix) for service delivery. The task to keep a fleet properly sized is a continuous process whereby service users' requirements have to be constantly matched with number and type of vehicles in the fleet. Inappropriate fleet sizing may lead to underutilised vehicles and in turn unnecessary and avoidable holding cost.

This Section examines whether under the present arrangement, services were provided with a rightly sized fleet so as to minimise total holding cost of VIP vehicles. The issues analysed are as follows:

- A right fleet size determined by the VIPCPU based on the number of beneficiaries and their respective entitlements;
- Monitoring fleet size and usage;
- Practices to minimise total cost of providing the services.

3.1.2 Right Fleet Sizing

According to the VIPCPU, 70 VIP vehicles were required on a daily basis to provide the required services. However, relevant correspondences with the PMO/MMOMDR kept at the VIPCPU did not confirm whether this was an approved fleet capacity or represented an average, minimum or maximum figure for an appropriately sized fleet. The allocation of VIP vehicles was recorded on a white board to monitor the allocation of vehicles at the VIPCPU daily. These data were used to compile the Monthly Return submitted to the PMO/MMOMDR, detailing out vehicles allocated for relieving purposes, short term allocation during the month and incoming vehicles into the Pool. A list of 96 vehicles in running condition deemed to reflect the VIP fleet size was submitted during our audit exercise in August 2016. Observations in respect of their actual usage to meet the Pool's objective and associated holding costs are reported in the paragraphs below.

3.1.3 Monitoring of the Number of Vehicles in the Pool

The list of the 96 VIP vehicles did not include all vehicles under custody of the VIPCPU. Vehicles still under the custody of the Pool but allocated over several months to beneficiaries were not included in this list or not always accounted for in the Monthly Returns. For example, movement of vehicle 191 RM 12 was recorded in Monthly Returns of March to July 2016 but not included in the list of 96 vehicles nor in the Monthly Return of August 2016, but included in returns of subsequent months. An attempt was made to reconcile this list with available records to ascertain the fleet size on a monthly basis and compliance with the reported fleet size. However, this was not possible as daily records on the white board were erased and not consolidated into monthly figures of the fleet size in the Monthly Returns. The number of vehicles was computed using the Monthly Returns, log books and other associated documents in the Pool over the past three years. Table 5 shows the movements for period 2014 - 2016 and the three months January to March 2017.

Table 5 Number of Vehicles Available in Car Pool

	2014	**2015**	**2016**	**Jan – March 2017**
Vehicles in running condition as at January	80	82	111	104
Vehicles awaiting disposal as at January	76	23	20	51
Vehicles proposed for next BoS as at January 2017	-	-	-	10
Total vehicles available as at January	**156**	**105**	**131**	**165**
Vehicles received in Pool during year	14	43	49	-
Vehicles disposed of during year/ period	(65)	(17)	(15)	(47)
Vehicles available in Pool as at December/ March 2017	**105**	**131**	**165**	**118**

Source: VIPCPU Records and Vehicle Log Books

For example there were 131 vehicles in the Pool as at end December 2015/ start January 2016, of which 111 vehicles were in running condition, and 20 were identified to be referred to BoS. An additional 49 vehicles joined the Pool and 15 vehicles were disposed of during the year ending 31 December 2016. This left a balance of 165 vehicles, and carried forward in January 2017, comprising 104 vehicles in running condition, 51 already identified for disposal and 10 referred to BoS. Though the VIPCPU did not compile data to ascertain the precise number of vehicles in the Pool which varied regularly, the Table above showed that the Pool had more than 70 vehicles in running condition during the period examined. It increased from 80 in January 2014 to reach 104 in January 2017.

As such, the Monthly Returns did not provide sufficient information for monitoring the fleet size.

3.1.4 Matching Number of Beneficiaries and Their Eligibility for Relieving Cars

As per good fleet management practices, the task to keep a fleet properly sized is a continuous process whereby service users' requirements have to be constantly matched with number and type of vehicles in the fleet. This task requires the keeping of appropriate records in terms of number and mix of vehicles and the eligibility and requirements of beneficiaries. Eventually, this would help to identify under or surplus capacity in the Pool. The VIPCPU did not keep a list of all beneficiaries who were entitled to benefit its services and details on their eligibility of vehicles in terms of engine capacity and monetary value. The PMO approves allocation of cars to new beneficiaries. Their eligibilities were governed by their conditions of services and terms of appointments with clear mention of value and engine capacity of the vehicles as referred in paragraph 2.3. In respect of relieving vehicles, prior approval or covering approval for already known beneficiaries are received. However, in the instructions for allocation of relieving cars, it was not specified whether the beneficiary could be allocated a vehicle with higher or lower engine capacity/monetary value.

An estimate of the number of beneficiaries with their respective eligibilities was worked out and is as per Table 6.

Table 6 Estimated Number of Beneficiaries as per Eligibility Criteria

Category	Eligibility Criteria - Ceiling expressed in Rs million and Engine Capacity in cc	Estimated Number of Beneficiaries based on PRB Report 2016	Number of Vehicles in the Pool
1	Up to Rs 0.9 m	28	1
2	Above Rs 0.9 m and up to Rs 1.13 m	96	27
3	Above Rs 1.13 m and up to Rs 1.22 m	61	0
4	Above Rs 1.22 m and up to Rs 1.5 m	29	8
5	Above 1.5 m and up to Rs 1.8 m	0	31
6	Above Rs 1.8 m and up to Rs 2.0 m and 2000 cc	4	0
7	Above Rs 2.0 m and up to Rs 2.2 m and 2200 cc	36	20
8	Above Rs 2.2 m and up to Rs 2.5 m and 3000 cc	24	7
9	Above Rs 2.5 m and up to Rs 3.5 m and 4500 cc	2	1
10	Above Rs 3.5 m and up to Rs 5.5 m and 5000 cc	2	1
	Total	**282**	**96**

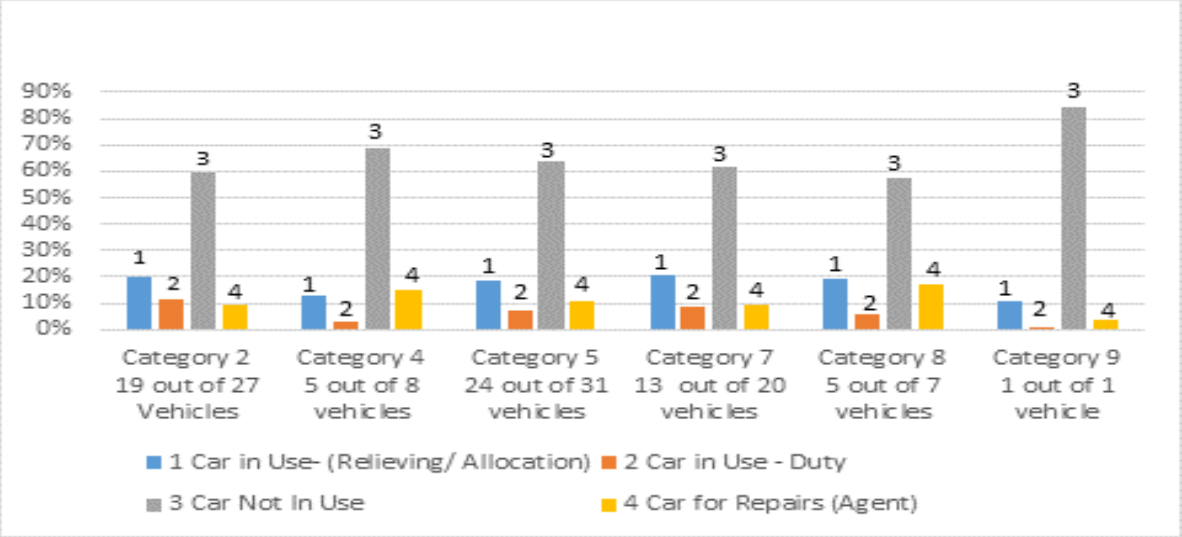
Source: PRB Reports, HPC's Decisions, PMO's Records

The estimate was based on the salary scale and number as per PRB Report 2016 and Budget Estimates 2015-16 respectively and excluded Advisors and former dignitaries. Table 6 shows a mismatch between the number of beneficiaries with specific eligibilities and corresponding number of vehicles. For example, there were 96 officers eligible for vehicles in Category 2, but there were only 27 such vehicles available. In contrast, there were 31 vehicles for Category 5 beneficiaries, but there were no eligible beneficiaries during the period examined. These mismatch were due to factors, such as:

- Addition or reduction in the number of vehicles due to new appointments, retirement of beneficiaries, and disposal of vehicles beyond economic repair. During the period 2014 to 2016, the number of cars disposed of annually was not at par with those joining the Pool. In 2014, the net outflow of vehicles from the Pool was 51, whereas for 2015 and 2016 there was a net inflow of 26 and 34 respectively.

- As per conditions of service in PRB Reports prior to that of 2016, vehicles costing Rs 1.5 million and up to Rs 1.8 million were purchased for beneficiaries who became eligible. These cars were gradually sent to the Pool after completion of four or five years' service under the "Government Official Car Scheme". However, as per PRB Report 2016, there were no potential beneficiaries for vehicles in the range above Rs 1.5 million and up to Rs 1.8 million which matched eligibility for relieving/allocation of Category 5 vehicles.

Figure 1 illustrates category wise the use of a sample of 67 vehicles out of the list of 96 for period January to August 2016.



Source: Vehicle log books and Monthly Returns

Figure 1: Types of Usage Category-wise for Sample of 67 VIP Vehicles

The actual usage for relieving/ allocation of VIP vehicles was in the range 10 to 20 per cent category wise. This meant that there was surplus capacity in terms of mix and number, in each category to meet additional requests. The above indicated that the VIPCPU did not observe good practices which recommended the keeping of vehicles of appropriate mix to deliver services to beneficiaries with different eligibility criteria.

3.1.5 Adequate Number of Vehicles to Meet the Pool's Objective

As the prime objective of the Pool is to provide replacement vehicles, the Monthly Returns submitted to the PMO were examined to ascertain whether this objective was met. Monthly Returns for year 2016 and also a sample of four months during each of year 2014 and 2015 were analysed. Table 7 shows the maximum number of vehicles used for relieving or short allocation purposes. Vehicles even used for one day only were accounted as being used and required for the whole month.

Table 7 Number of Vehicles Used for Relieving/ Allocation Purposes

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2016	42	56	49	57	47	54	35	48	49	55	62	54
2015	50	-	-	-	-	52	-	48	-	60	-	-
2014	32	-	-	-	-	43	-	35	-	47	-	-

Source: Monthly Returns of VIPCPU

Though the number of potential beneficiaries was estimated to be about three times the number of cars available in the Pool, the above analysis showed that the Pool's objective of providing relieving/ allocation of vehicles was met during the period examined. There was always additional vehicles available in the Pool after providing for allocation/relieving purposes. For example in January 2016, there were 111 vehicles in the Pool and only 42 were used for

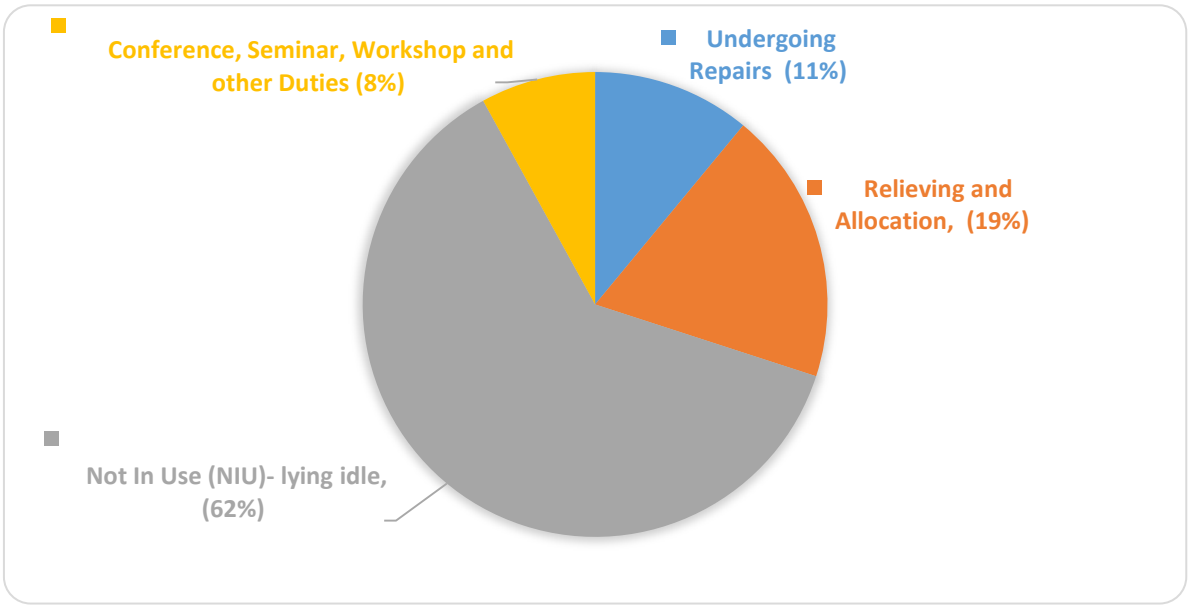
relieving/ allocation purposes, and 69 vehicles were available for other purposes and maintenance if required.

The above observations indicate that the objectives of the Pool were met with less than 70 vehicles. Paragraph 3.1.6 below provides an analysis on the actual use of the vehicles on a daily basis.

3.1.6 Average Number of VIP Vehicles Used Daily and Type of Use

The Monthly Return indicated on a monthly basis the number of cars used. However, it did not provide information on how many cars in the Pool were idle and for over what period of time. From the sample of 67 vehicles (70 per cent of fleet capacity as at August 2016), the use of each vehicle in good running condition over the 244 days from 1 January to 31 August 2016 was analysed. On a daily basis, an average of 56 vehicles was in a running condition, and an average of 18 was used for relieving or other duties. The remaining 38 vehicles (68 per cent) in running condition was unutilised, for more than on average, 170 of the 244 days (70 per cent) in the absence of requests for potential use.

An analysis of the use of the vehicles in the sample for period January to August 2016 is as per Figure 2.



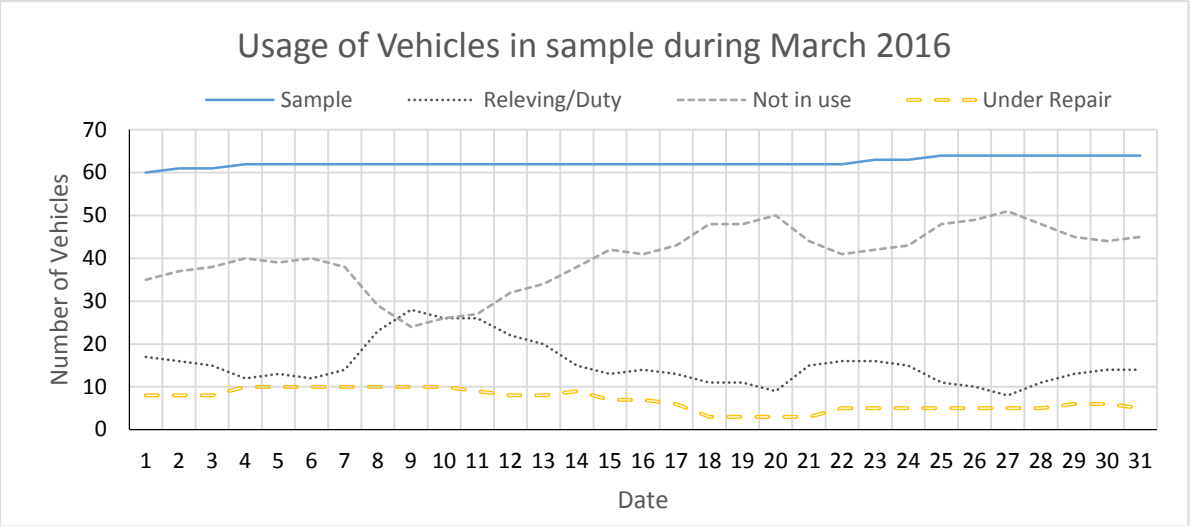
Source: Log Books of Vehicles in Sample

Figure 2: Pie Chart Showing Percentage Usage by Type of Sample of VIP Cars

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.

According to the VIPCPU, the excess capacity in the fleet was mainly to be used during national celebrations/ conferences/ seminars and workshops involving VIP's and dignitaries. It was also reported by the Unit that this excess capacity was insufficient to meet requests on certain occasions. During the period examined (January to August 2016), there were three such

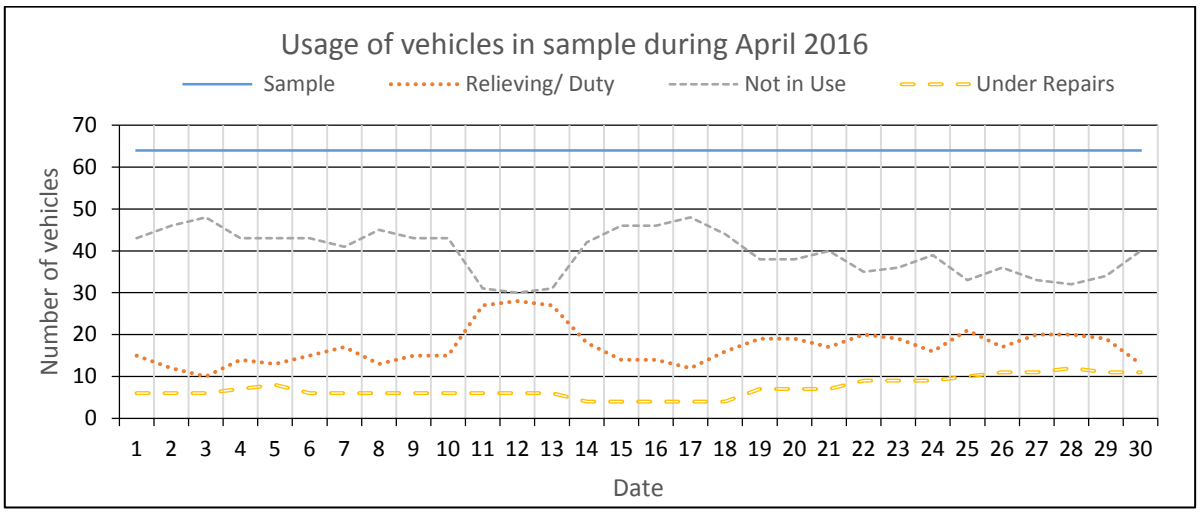
events (in March, May and August 2016) where an increased number of cars was used. In March 2016, during the period of Independence Day Celebrations, the number of unutilised cars dropped to 25 over that one week period as shown in Figure 3.



Source: Log books of Vehicles kept by the VIPCPU

Figure 3: Usage of a Sample of Vehicles during March 2016

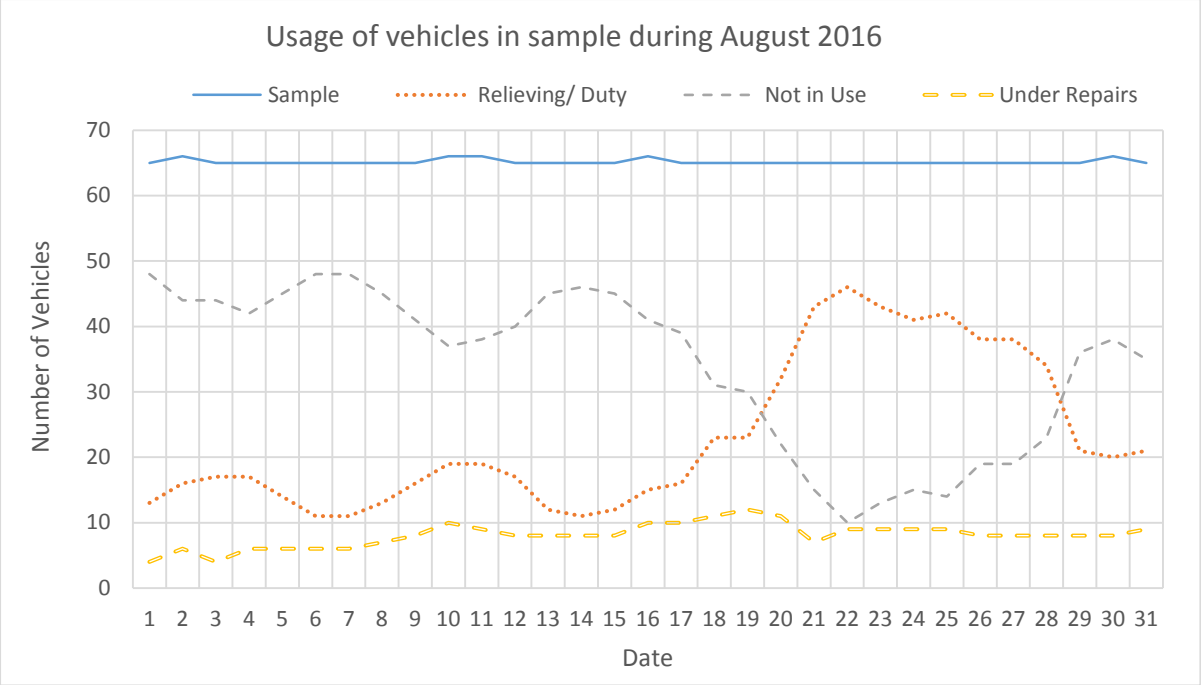
During the same month, the number of vehicles not utilised was between 25 and 50. In April 2016, the number of unutilized vehicles dropped down to 30 during a one week conference as shown in Figure 4.



Source: Log Books of Vehicles kept by the VIPCPU

Figure 4: Usage of a Sample of Vehicles during April 2016

In August 2016, there was a request for 20 cars for an international conference for period 21 to 28 from a Government Department. The Pool met the request partially, and still some 10 to 20 vehicles in the sample were not utilised over that period. Figure 5 refers.



Source: Log Books of Vehicles kept by the VIPCPU

Figure 5: Usage of a Sample of Vehicles during August 2016

3.1.7 Reasons for Underutilised VIP Vehicles

The main reason for underutilisation of VIP vehicles was inadequate requests for potential use. However, in some cases examined, the vehicles not being fully used were due to:

- *Unavailability of Appropriate Vehicles from the Pool for First Time Beneficiaries*

As per conditions of service as recommended in the PRB Reports, officers benefiting official cars for the first time must take their first car from the Pool. However, the vehicle should be less than four or five years and of appropriate monetary value which the beneficiary was eligible to. It was reported by the VIPCPU that over the past years, rarely a car of less than four or five years was available. In that case, the beneficiary was allowed to purchase a new vehicle. After four or five years, the car was sent to the Pool and contributed to increase the fleet size with no possibility given to first time beneficiaries to use these cars.

- *Some Makes and Models were not Preferred for Relieving Duties*

According to VIPCPU**,** some makes and model with only two doors, were not chosen by beneficiaries who had preference for other makes. These cars remained underutilised for relieving duties. Table 8 shows the comparative usage rate of the different makes/ models each acquired at same cost of Rs 1,070,000 (Duty Free).

Table 8: Usage of Different Makes/ Models for Relieving and Other Duties

GM No	Make/ Model	Number of Days Available for use	Usage - Relieving Duties		Usage - Other Duties	
			Days	%	Days	%
65 RM 11	Renault Laguna	195	6	3	33	17
261 RM 08	Nissan Cefiro	244	10	4	78	32
34 RM 11	Renault Latitude	191	11	6	88	46
6 RM 09	Nissan Cefiro	246	25	10	34	14
330 RM 12	Peugeot 508	212	53	25	40	19
140 RM 10	BMW 320i	212	47	22	19	9
264 RM 08	BMW 320i	200	74	37	12	6
338 RM 09	BMW 320i	216	149	69	4	2
441 RM 09	BMW 320i	226	179	79	4	2

Source: VIPCPU records and vehicle logbooks

As illustrated in Table 8 above, vehicles of specific makes had relatively high usage rate for relieving purposes, and more responsive to meet the Pool's objective.

- *Vehicles in Pool did not Match Eligibility Criteria*

It was reported by the VIPCPU that vehicles with high engine capacities or monetary values could not be allocated for relieving purposes to beneficiaries with lower eligibilities. Some cars remained relatively unutilised as illustrated in Case Study 1.

Case Study 1: Underutilised Vehicles due to Unmatched Criteria

In the two cases below, although there were sufficient number of similar vehicles of their category in the Pool, these two vehicles could not be allocated to beneficiaries with lower eligibility criteria. They remained underutilised both in terms of mileage and days in the absence of requests.

Vehicle 3 RM 09

Vehicle 3 RM 09 of capacity 3,518 cc was purchased in January 2009 at a cost of Rs 2,200,000 (Duty Free) for one beneficiary. After three years, it was taken on charge by the Pool in February 2012 with a mileage of 39,193 km and cumulative repair and maintenance cost of Rs 264,640 (including repair following accident of Rs 241,319). During period February 2012 to August 2016, the car covered 3,660 kilometres. Additional amounts totalling Rs 180,690 were incurred in respect of repairs (involving battery, gear, and tyres) effected on six occasions. For the period January to August 2016, the vehicle had remained idle for 76 per cent of the time, and the remaining time grounded at the agent's workshop, awaiting repairs. The car had low utilisation rate (less than average of 100 kilometres covered monthly).

Vehicle 86 RM 05

Vehicle 86 RM 05 of 4,494 cc was purchased for one beneficiary in December 2005 for some Rs 1.3 million (Duty Free). The vehicle was transferred to the Pool in February 2008, after two years, with mileage run of 52,793 km and cumulative repair and maintenance cost of Rs 136,379 (including repair following accident of Rs 42,584). During period February 2008 to August 2016, the car covered 21,581 km (some 210 kilometres monthly), and six repairs involving braking, battery, tyre and exhaust systems and routine maintenance were effected on the car, costing a total of Rs 71,630. For the period January to August 2016, the vehicle had remained idle for 76 per cent of the time, and for the remaining 24 per cent of the time (July- August 2016), it was grounded at the agent's workshop, awaiting repairs.

Source: Vehicle Files

3.1.8 Estimated Holding Cost of Underutilised Vehicles

Some 60 per cent of the 96 vehicles of the Pool, acquired at the cost of some Rs 163 million, comprised vehicles over five years old. According to good practices in fleet management, holding cost of a vehicle increases with age due to increasing costs of repair and maintenance, impairment due to age and exposure to adverse climatic conditions. The acquisition cost, usage, and estimated monthly holding cost for 86[2] of the 96 vehicles calculated on the following basis:

- The average time a car was kept by Ministry/ Department and Pool before being disposed of was some eight years as per data collected from the last three disposals through auctions. The average disposal proceeds per vehicle was Rs 375,000 for the latest disposal;

- The acquisition cost of each car less estimated average disposal proceed of Rs 375,000 was spread over eight years, represented the annual depreciation figure;

[2] For the remaining 10 vehicles, complete maintenance costs were not available in MPILT's files

- The average annual repair and maintenance expenditure (excluding repairs as a result of accidents) for period January 2014 to August 2016 together with the annual depreciation figure, represented the annual holding cost of a VIP vehicle, excluding operating and administrative costs.

Appendix III provides details on 17 of these 86 vehicles. Table 9 illustrates a sample of nine vehicles with their monthly holdings costs matched with their usage during the period January to August 2016.

Table 9 Estimated Holding Costs and Actual Usage of VIP Vehicles

Vehicle No.	Acquisition Cost Duty Free (Rs)	Monthly Holding Cost (Rs)	% of Days Not In Use	No. of Days Available for Use
163 RM 08	1,700,000	16,441	98	244
30 RM 09	1,700,000	14,172	88	243
51 RM 09	1,700,000	16,984	90	236
169 RM 10	2,199,950	25,774	85	244
22 RM 12	3,499,000	39,683	87	235
74 RM 08	1,070,000	13,363	87	228
167 RM 10	2,167,720	24,764	87	228
79 RM 10	2,200,000	26,428	89	221
79 RM 08	1,070,000	8,497	87	223

Source: MES Vehicle Files, VIPCPU Records and Vehicle Log Books

For example Vehicle 163 RM 08 acquired at a cost of Rs 1,700,000, the monthly holding cost amounted to Rs 16,441. During period January to August 2016, the vehicle was used only on four days, which was only two per cent of the time it was in running condition. To keep the vehicle in the fleet during the eight months, it cost some Rs 130,000.

Presently, the average monthly holding cost of a vehicle is not being computed. If done, it would provide, among others, a good indication of value in the following ways:

- *Keeping of Car in the Pool instead of Hiring*: For this option to be cost effective, the holding cost associated with the period the car is not utilised, should be less than the cost of hiring a similar vehicle for use during conferences. For example, vehicle 163 RM 08 had a holding cost of some Rs 130,000 for period not utilised from January to August 2016. Then it would have been cost effective to keep the car in the Pool if the cost of hiring a car for use in respect of conferences during that period was higher than Rs 130,000;

- *Disposal of vehicles with abnormally high holding costs and low usage*: Such vehicles would be ideal candidates for early disposal.

The merit of the argument to keep sufficient number of vehicles, though unutilised for most of the time, to cater for seminars/ workshops and conferences is compared with the alternative to hire. The option to explore the hiring of vehicles was sought by the National Assembly when its request could not be met fully by the Pool, and is illustrated in Case Study 2 below.

Case Study 2: Hiring of VIP Cars by National Assembly

Though the Conference was scheduled in advance, the bid exercise was carried out on an emergency basis following the Pool's decision to meet only part of the request for 20 cars. On 14 July 2016, the National Assembly requested selective bids from potential suppliers for hiring of 20 cars of not more than four years old of engine capacity between 1500 and 1900 cc to be driven by Police Officers for the conveyance of Very Very Important Persons during period 21 to 29 August 2016. According to the Procurement and Supply Section of the National Assembly, the selected bidders were extracted from the Mauritius Telecom Telephone Directory. Only one bid was received by the closing date of 25 July 2016. The bid was considered to be on the high side despite no comparative hiring prices were mentioned in the bid evaluation exercise. It was almost unlikely that a larger number of bidders had 20 cars to lease within short notice and this did not maximise the potential of attracting more competitive bids. Decision was taken to call for fresh quotations, but this exercise was not carried out.

Source: Records of the Procurement and Supply Section of the National Assembly

The Pool could not provide all the 20 cars as at that material time. There were only 23 cars of less than four years in the fleet of vehicles which were earmarked for relieving and duty purposes. Other vehicles which were purported to be used for conferences and seminars did not satisfy the criteria for such purpose. Consequently, they remained idle and did not meet the objective for which they were continuously kept in the Pool.

3.2 Maintenance of VIP Vehicles at Minimum Cost

- As at August 2016, the total cost of maintenance and repairs of vehicles (excluding cost of repairs relating to accidents) in the fleet was some 25 per cent of their total purchase price;
- The repair and maintenance cost per km was Rs 3.60 during period of use by beneficiaries. Once in the Pool, it increased to Rs 5.90, representing an additional cost of Rs 2.30 per km;
- Vehicles in the Pool were repaired and maintained irrespective of their utilisation rate. Several vehicles considered excess to requirement were also repaired and maintained. This unnecessarily increased the total repair and maintenance cost;
- The practice to continue repairing and maintaining ageing vehicles until future costs were high, brought marginal value to the fleet when compared to the costs incurred;
- Even vehicles which were lying idle had to be maintained and repaired, and this did not contribute to minimise total maintenance costs.

3.2.1 General

As per PMO's instructions, the VIPCPU has to keep in good running condition at all times the Pool's vehicles by making appropriate arrangement for their repair and maintenance.

This Section examines whether current practices ensured that vehicles were maintained at minimum cost once they entered the Pool, taking into consideration associated aspects, such as ageing, increasing repair and maintenance costs, actual usage and criteria for disposal.

3.2.2 Trend in Cost of Repair and Maintenance of Vehicles of the Pool

Maintenance costs typically include expenditure on fluids, filters, belts, hoses, batteries, brakes, sparkplugs, and other components that are not intended to last the life of the vehicle. Repairs, on the other hand, relate to those components that fail prematurely, such as alternators, air compressors, transmissions, and other components that are intended to last the life of the vehicle. Repair costs are generally covered under manufacturers' warranties for the first few years of ownership and tend to increase as a vehicle ages. These costs are generally manageable until a major component fails. This is more likely to occur once a threshold of mileage (say 100,000 kilometres) is reached. (Appendix II refers).

As at 31 August 2016, repair and maintenance data in respect of mileage covered by and cumulative cost incurred for 86 of the 96 vehicles were analysed. These 86 vehicles were aged 3 to 11 years with cumulative mileage ranging from 26,291 to 200,839 km. Cumulative maintenance cost ranged from a minimum of Rs 70,134 to a maximum of Rs 1,286,433. Table 10 shows that higher costs were incurred once in the Pool, but with a relatively low mileage run.

Table 10 Total Cost per kilometre for the 86 VIP Vehicles

Period of use	Cost of Maintenance and Repairs (excluding accident) Rs million	Kilometres run (million km)	Average cost per kilometre (Rs/km)
Vehicles used by Beneficiaries	20.1	5.6	3.60
Vehicles in VIP Car Pool	15.9	2.7	5.90

Source: Vehicle Maintenance Files kept at the MES

A 63 per cent (from Rs 3.60 to Rs 5.90) increase in maintenance costs per km run were required to keep these vehicles in a running condition. The ensuing paragraphs ascertain and assess the adequacy of the arrangement and practices to minimise the costs of repair and maintenance of the fleet.

3.2.3 Adequacy of Present Arrangement and Practices to Minimise Repair and Maintenance Costs

Good practices in fleet management recommend three options that may be used in determining when to continue maintaining/ repairing a vehicle or arrange for its disposal:

- Option 1. Under this method, a vehicle is continuously maintained and repaired until it reaches an established target age or mileage. Also, an average maintenance and repair cost threshold is set for its vehicle category. Maintenance and repair costs are monitored to identify those that begin to significantly exceed the average cost, though it is within the target or mileage range;

- Option 2. Maintenance and repairs are carried out until the next cost to repair exceeds the vehicle's value at that point in time. This occurs when a major component, such as a transmission or engine, fails or following a severe damage in an accident;

- Option 3. Due to increasing mileage covered and ageing, successive maintenance and repairs cost tend to increase while depreciation costs tends to decrease. Depreciation, as referred to in paragraph 3.1.8 and Appendix II, is the difference between the acquisition cost and the expected disposal value, spread over the life of the car or over mileage covered. This net cost when added to other operating costs decreases with age/ mileage covered up to a minimum point, and then starts to increase. At this minimum point, the total cost associated with this vehicle is minimum and represents the end of its economic life. Repair and maintenance are carried out until this economic life stage is reached.

The maintenance history of each of the 86 out of the 96 vehicles of the Pool since acquisition up to August 2016 was examined. Table 11 shows that cumulative repair and maintenance cost (since acquisition), including cost of repairs relating to accidents, was some 30 per cent of the total cost of acquisition of the fleet which is material, and requires an appropriate repair and maintenance system to be in place.

Table 11 Repair and Maintenance as a Percentage of Cost of Acquisition

	Cost of Acquisition (Rs million)	Repair and Maintenance Costs (excl Accident) (Rs million)	Repairs – in respect of Accidents (Rs million)	Total Repair and Maintenance Costs (Rs million)	Cumulative Mileage (km million)
As at August 2016	146.6	36.0	7.5	43.5	8.3
As a percentage of Cost of Acquisition		24.6	5.1	29.7	

Source: Vehicle Maintenance files kept at the MES

We ascertained the system in place at the MES to plan, inspect, authorise, supervise, record and certify maintenance and repairs of VIP vehicles. The MES has a set of criteria and guidelines to support the decision to recommend repair and maintenance of the Pool's vehicles. In addition to professional engineering expertise, decisions were also based on informal criteria, guidelines and practices. These are as follows:

- No targets in respect of age, cumulative mileage or repair/maintenance expenditure were set. Instead, as maintenance cost was expected to increase sharply once the 80,000 - 100,000 kilometres range was reached, an indicative maintenance cost per kilometre was set for each of the most common make and model of vehicles. For example for one make with three models of different engine capacities, the following guides have been set: Rs 3 - 5, Rs 5 - 8 and above Rs 8 per kilometre for the respective models;

- In addition, the physical conditions of the vehicles in terms of its suitability for VIP duties, that is, condition of the upholstery and paint works, were also assessed before recommending further repair and maintenance;

- Repair and maintenance were generally recommended, on a case to case basis, until the cumulative cost and associated mileage became high;

- Also repairs were not recommended when cost of repair was high following a failure of main components or accident, and/or failure of other parts and components were expected soon.

Though the above were found to be applied on case to case basis in all the cases examined, there were instances where they were found inadequate to ensure that repair and maintenance recommended were at minimum cost. The cases are described in the paragraphs below.

3.2.3.1 Consideration of Usage of Vehicles as Criteria for Further Maintenance

The extent to which vehicles were being used in the Pool were not taken into consideration when recommending repair and maintenance. This led to cases where vehicles which were underutilised were unnecessarily repaired and maintained until the cumulative cost would be considered to be abnormally high. Table 12 shows examples of vehicles which had been maintained at relatively high cost, but had low usage, both in terms of mileage and number of days.

Table 12: Examples of Cars with High Maintenance Cost but Low Usage

Vehicle Number	Rep & Mtce Costs incurred by Min/ Dept (Rs)	km run before getting into Pool	Rep & Mtce Costs incurred by Pool (Rs)	km run by Vehicle when in Pool	No. of Days Not in use out of 244 days (Days)
19 RM 10	245,189	86,786	246,654	12,680	102
264 RM 08	148,109	97,590	271,792	19,376	115
79 RM 10	514,713	76,770	237,377	35,603	198
42 RM 10	401,519	113,085	204,246	10,547	90
167 RM 10	303,996	64,315	195,484	27,806	199

Source: Vehicle Maintenance Files kept at the MES

For example, prior to joining the Pool in June 2013, Vehicle 167 RM 10 (acquired in December 2010) covered 64,315 km, representing a monthly average of 2,075 km. During that period, it was maintained at a total cost of Rs 303,996. Once in the Pool, it covered an additional 27,806 km (monthly average of 732 km) and was maintained at an additional cost of Rs 195,484 up to August 2016. During period January to August 2016, it was not utilised over 199 days, though it was in a running condition. This car was acquired at a cost of Rs 2,167,200 (Duty Free), and its cumulated maintenance and repair cost amounted to Rs 499,480 as at August 2016.

3.2.3.2 Repair and Maintenance of Vehicles in Excess of Requirements

In November 2016, the VIPCPU worked out a list of 25 vehicles, considered in excess of the Pool's requirements, which had to be referred to the BoS for eventual disposal. Three vehicles in the list, as per Table 13, referred to the MES, were considered not suitable for disposal and were recommended to be kept in the Pool.

Table 13 Details of Vehicles in Excess of Requirement Recommended to be kept in the Pool

Vehicle Number	Cost of Acquisition Rs	Total Repair and Maintenance Costs* (incl accident) (Rs)	km run*	Reason
157 RM 08	1,070,000	368,198	80,452	Low mileage, low cost/km
19 RM 10	1,420,000	540,647	100,579	Repairs carried out recently
51 RM 09	1,700,000	279,618	64,695	Repairs carried out recently

*as at November 2016

Source: Vehicle Maintenance Files kept at the MES

As per above, repair and maintenance costs would be incurred on vehicles despite they were excess to requirement.

3.2.3.3 Consideration of Economic Life of VIP Vehicles

The current practice of continuously recommending repair and maintenance until the cost of next repair is so high that it is preferable to dispose of the vehicle on an "as is" basis, does not take into consideration the economic life of the vehicle. The best time to stop repairing and maintaining a vehicle is just before a major breakdown. However, the challenge lies in pinpointing when it will occur and is the major disadvantage of this approach.

Table 14 shows a sample of vehicles continuously being maintained until the next repair was considered high. These vehicles were disposed of in January 2017.

Table 14: Cars with High Future Cost of Repairs

Vehicle Number	Cumulative km run	Cumulative Repair and Maintenance Costs (excl accident) Rs	New Estimated Cost of Repairs Rs
75 RM 06	139,378	1,084,348	183,734
131 RM 07	135,055	880,887	69,912
48 RM 08	195,695	929,917	60,010
119 RM 09	111,411	478,994	120,875
387 RM 09	93,340	471,736	338,472
115 RM 09	160,000	622,397	165,281

Source: Vehicle Maintenance Files from MES

For example vehicle 75 RM 06 (acquired at a cost of Rs 816,000) had a breakdown after covering a cumulative mileage of 139,378 kilometres and had already been repaired and maintained at a cumulative cost of Rs 1,084,348. The vehicle was recommended for disposal when the new cost of repairs was quoted at Rs 183,734.

Several vehicles in the current fleet which have high cumulative repair and maintenance costs (excluding accidents) and which were continuously being repaired over the past years were identified. Table 15 shows a sample of such vehicles where the costs incurred during the period January 2014 to October 2016 were relatively high when compared to the marginal benefit of extra mileage.

Table 15: Vehicles Repaired and Maintained at High Costs but with Marginal Benefits

Vehicle Number	Cost per kilometre (Rs/ km)	Monthly Kilometre run (km)
16 RM 08	39	156
66 RM 08	34	334
3 RM 08	22	400
19 RM 10	20	704
31 RM 08	11	945
66 RM 07	12	559

Source: Vehicle Maintenance Files from MES

For example vehicle 16 RM 08 costing Rs 2.2 million had a cumulative cost of maintenance and repair of Rs 618,938 as at 31 December 2013. During period January 2014 to June 2016, it was further repaired and maintained on six occasions for a total cost of Rs 129,608 and covered 3,282 km. This represented a repair and maintenance cost of Rs 39 per kilometre, and average monthly mileage run of 156 kilometres. In November 2016, except for 66 RM 08, all these vehicles were earmarked for disposal. The reasons were that they were found to be in excess of requirement, and that they had already incurred high cost of repairs and maintenance and same was expected to recur.

The above cases show how ageing vehicles with already high repair and maintenance costs were continuously repaired and maintained whilst providing limited benefits in terms monthly mileage covered,. These vehicles were costing more than they were worth to the fleet.

3.2.4 Maintenance Issues Associated with Idle Vehicles

According to records kept at the VIPCPU, on a weekly basis, the engines of vehicles staying idle over several weeks were turned on and kept running for some five minutes. Also, these vehicles were run over several metres inside the Line Barracks Compound. These tasks were necessary to keep the battery and braking system in good running condition. However, these tasks were not sufficient to maintain appropriately all the other systems and components as confirmed by the MES. There were several vehicles in the sample which were reported to be in running condition when they were returned to the Pool, but had to be referred to Local Agents for repairs after lying idle for several weeks.

Even vehicles which were lying idle had to be maintained and repaired, and this did not contribute to minimise maintenance costs.

3.3 Disposal of VIP Vehicles

- The MES did not estimate the economic lives of vehicles to identify, in a timely manner, when vehicles were beyond economic repair;
- Documents, used as a substitute for Technical Diagnosis Report, were not always timely submitted to BoS to justify why vehicles were beyond economic repair;
- The need to assist members in the BoS team with personnel having the necessary expertise to set Minimum Reserved Price (MRP) of VIP vehicles was not taken into consideration;
- In 31 per cent of the cases, the price offered by bidders was more than 50 per cent of the MRP;
- The disposal process of VIP vehicles took at least one year. In the meantime, the vehicles remained idle and were subject to impairment through the inclemencies of weather and age, which impacted negatively on their disposal value;
- The sale of 15 vehicles out of the 47 auctioned in January 2017 were not yet registered in April 2017, implying possibility of non-payment of registration duties.

3.3.1 General

The disposal of VIP vehicles is necessary to remove those with high maintenance costs, surplus to requirements and beyond economic repair. This process has to comply with the regulatory framework and ensure that sale proceeds are maximised. Higher sale proceeds reduce total holding costs of a fleet of vehicles and lead to provision of services at a minimum cost. This Section examined whether the tasks associated with the disposal process complied with regulations, were timely and appropriately executed with the ultimate aim to maximise sale proceeds.

3.3.2 Timely Disposal to Maximise Sales Proceeds

The referral of VIP cars to BoS for eventual disposal is determined by Circular No 17 of 2012 from MoFED. The term "beyond economic repair" is not defined in the Circular. It only mentions that the criteria of "age and economic life" should be considered when classifying a vehicle as "beyond economic repair. As mentioned in paragraph 3.2.3, the MES did not have a practice of calculating the "economic lives" of VIP vehicles. Instead of a formal Technical Diagnosis Report as required by Circular No 17, a letter is addressed to the Officer in Charge of VIPCPU mentioning the reasons why further repairs are not considered economical. In 44 cases of disposal examined, there were letters in respect of 36, with details about age, cumulative mileage and cost of repairs. Additional amount to be spent to maintain the vehicle and expected failures of parts and systems were also mentioned. However, in six of the 36 cases, the letters were dated after the BoS submitted its report containing the MRPs. In the remaining eight cases, there were no letters supporting the referral.

Though Circular No. 17 of 2012 does not mention the timing for the setting up of BoS for disposal of major unwanted goods (goods costing more than Rs 25,000), disposal of VIP vehicles requires special consideration. These vehicles are fast depreciating assets, subject to

rapid impairment due to age and storage conditions and need to be considered for disposal as soon as possible.

The time frame to dispose of vehicles through the last three auctions is shown in Table 16.

Table 16 Auction Sales for Auctions Held During period 2015-2017

Key Tasks	June 2015	March 2016	January 2017
Request of BoS list by Officer in Charge Warehousing	Date not available. (8 cars awaiting since April 2014)	Date not available. (14 cars awaiting since April 2015)	January 2016 (27 cars awaiting as at January 2016)
Approval for Appointment of BoS	August 2014	May 2015	Date not available
Appointment of BoS	August 2014	August 2015	May 2016
Report of BoS	November 2014	September 2015	July 2016
Clearance from NTA	January 2015	January 2016	October 2016
Clearance from MRA	January 2015	January 2016	January 2017
Appointment - Auctioneer	May 2015	February 2016	December 2016
Auction Sale	June 2015	March 2016	January 2017

Source: Records of the Warehousing Section of Police Service

In respect of the auction held in January 2017, 21 vehicles were already lying idle, awaiting BoS, as far as period January to September 2015. On the average, it took one year to organise an auction sale, which was not conducive in maximising their disposal proceeds.

3.3.3 Setting of Minimum Reserved Price to Maximise Disposal Proceeds

As per Circular No. 17 of 2012 from MoFED, members appointed by an Accounting Officer on a BoS should as far as possible possess the required skills and competencies. Where technical skills/ competencies are not available in the Civil Service, the Accounting Officer may consider outsourcing such services. The BoS should examine the vehicles and make recommendations as to their modes of disposal. These vehicles should be listed on Form GF 15A and should include information on their original cost (or fair value where appropriate) and condition including the Technical Diagnosis Report. A MRP in respect of the vehicles for disposal through auction sale should be recommended.

The setting of MRP requires specific expertise in vehicle valuation. An Auctioneer starts the bid for each vehicle with the MRP and the final price accepted (adjudicated) is that offered by the highest bidder. If bids received are below the MRP, the vehicle is not disposed of but carried forward to be sold during next auction. If the MRP is set much less than the market value of a vehicle, there are risks that the adjudicated price will not reflect market value. Hence, disposal proceeds will not be maximised.

In respect of the BoS team appointed in July 2016 and the auction held in January 2017, the following issues were identified:

- The Form GF15 A, which contained MRPs of the vehicles to be auctioned, did not include details about the original costs, condition of the vehicles and the Technical Diagnosis Report;

- As per the BoS Team, only one member posted at the Police Vehicle Technical Unit had competence in maintenance and repairs of VIP vehicles. However, none had received training in valuation of vehicles. Also as per the BoS, the Team had neither received any formal recommendations, guidelines or criteria on how past BoS had assigned MRPs for VIP vehicles nor had same for the current one. MRPs for the 51 VIP vehicles surveyed were set based on personal judgment and available records. The Technical Diagnosis Report was available in respect of only 24 vehicles. This meant that the MRPs for the remaining 27 vehicles were set in the absence of important details, such as cost of acquisition, cumulative repair and maintenance costs, expected cost of repairs and failures of parts and components, and assessment on the conditions of the vehicles;

- Out of the 51 cars auctioned, four cars of some 12 years old with MRP of Rs 225,000 each received no bid. The total MRPs for the 47 sold vehicles amounted to Rs 12,820,000 and the sale proceeds collected amounted to Rs 16,597,000. Table 17 shows an analysis of the sales proceeds.

Table 17: Disposal Proceeds Matched against Minimum Reserved Prices

	Proceeds = MRPs	**Proceeds up to 50% above MRPs**	**Proceeds more than 50 % and up to 100% of MRPs**	**Proceeds above 100% of MRPs**
Number of Vehicles	12	20	9	6
Percentage of Vehicles	26	43	19	12

Source: Files kept by the Warehousing Section of Police Service

The total disposal proceeds exceeded the total MRPs by 30 per cent. Also, in respect of 31 per cent of the vehicles disposed of, the proceeds were at least 50 per cent higher than the MRPs.

The absence of personnel with appropriate expertise to assist the BoS team in valuation and appropriate guidelines or criteria did not ensure that the MRPs reflected the market values of the surveyed vehicles. The overall effect was that the maximisation of disposal proceeds was not guaranteed.

3.3.4 Payment of Registration Duties in Connection with Disposal

In respect of 2015 and 2016 auctions, all purchasers of auctioned vehicles paid the accruing registration duties on the sale and registered the vehicles in their names at the National Transport Authority within one month of the respective auctions. 15 of the 47 vehicles sold in January 2017 auction were still registered in the name of Government of Mauritius as at 31 March 2017. This meant that sales of these 15 vehicles might not have been registered with the Registrar General and payment of the appropriate duties not effected.

CHAPTER FOUR

CONCLUSION

This Chapter concludes against the audit objective based upon analysis and findings supported by audit evidence as elaborated in the previous Chapter.

The VIPCPU, supported by the MES, was providing services as per the responsibilities conferred upon it by the PMO. The Unit was required to be involved in key fleet management activities, including operating, arranging for maintenance and disposal of vehicles. Though these activities were being carried out 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.

Right fleet sizing, one of the key issues identified, was necessary to operate the fleet at minimum cost. However, this was not appropriately addressed. The fleet was not properly sized, leading to excess and underutilised vehicles. Excess vehicles meant unnecessary holding costs which could have been avoided to minimise total fleet costs. Though the VIPCPU attempted to limit the number of vehicles to 70, practices relating to monthly inventory of fleet, assessment of needs for services and reporting were not conducive to achieve this objective in the following ways:

- A precise and regular inventory of the number of vehicles and beneficiaries was not carried out to ensure the matching of demand and supply for services. Further, the VIPCPU's assessment of needs for services based on the argument to keep sufficient number of vehicles for events, like conferences had led to a scenario that for some 70 per cent of the time, for every three vehicles in the Pool, two were lying idle instead of being put to beneficial use;

- The VIPCPU reported the details on provision of VIP vehicles to beneficiaries through Monthly Returns to the PMO/MMOMDR, as per instructions. However, these Monthly Returns did not include important information for decision making, such as actual fleet size, utilisation rate of the vehicles and their holding costs. As such, this reporting arrangement was insufficient to provide an oversight on service level and associated costs.

The requirement imposed upon the VIPCPU 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. Vehicles in the Pool were continuously repaired and maintained even when they covered less mileage or used occasionally. They were referred for disposal only when the cumulative repair and maintenance costs were considered abnormally high or the next major repair was uneconomical. To keep these vehicles in good running condition was costing more than they were worth to the fleet.

VIP vehicles were accumulated with other minor or scrap items to be sold after more than one year, after they were identified fit for disposal. Grounding of these 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.

The continuous repair and maintenance of excess and ageing vehicles of the fleet, instead of their timely disposal, did not support the provision of services at minimum cost.

CHAPTER FIVE

RECOMMENDATIONS

This Chapter presents the recommendations based on the findings and conclusions reported in previous Chapters.

In the light of the audit findings and conclusion, hereunder are the 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. This potential gain in efficiency will require an enhanced oversight on fleet size, costs and disposal, and a review of associated key processes.

5.1 Enhanced Oversight

The right fleet size needs to be set based on priority of services, as determined by the PMO/MMOMDR. If the priority is to provide relieving and duty services, then the number of vehicles required 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. This will dispense the VIPCPU and MES to maintain vehicles which are in excess of requirements and of low usage.

5.2 Alternatives to Acquisition of VIP Vehicles under "Government Official Car Scheme"

Under the "Government Official Car Scheme", a beneficiary is provided with an official car or monthly cash allowance in lieu of an official car. Presently, most beneficiaries favour the option of being provided with vehicles of their choice rather exercise option of monthly cash allowance. This favoured choice increases the number of vehicles entering the Pool after four to five year period, and the need to provide sufficient number of vehicles for relieving/ replacement purposes. Under the cash allowance option, there is no need to acquire vehicles or provide relieving/ replacement ones. This avoids the creation and keeping of a large fleet. The attractiveness of this option needs to be re-examined as way forward to minimise VIP fleet costs.

Alternatively, leasing of vehicles from Local Agents may be considered. As per a lease agreement, the Local Agent provides a vehicle as per the eligibility of the beneficiary and choice, against a monthly rental over a four to five year period. The Agent has to insure the vehicle, maintain it in a good running condition at all times and also provide an equivalent replacement vehicle when needed.

In addition, with the cash allowance and the leasing option, the allocation of resources to manage the operation and supervision of repair and maintenance activities is avoided.

5.3 Option to Hire Vehicles for Conferences/ Seminars

As conferences/ seminars and workshops are usually planned in advance, Ministries/ Government Departments should request bids from car rental companies reasonably well in advance if large numbers of vehicles are required for such events. This will enable a larger number of potential suppliers to bid and eventually more competitive hiring prices will be obtained. With such information available, a cost benefit analysis should be carried out to assess whether it will be more beneficial to hire VIP cars as and when required rather than keeping excess capacity of vehicles in the Pool for such events.

5.4 Review of Criteria for Maintenance

As recommended in the Financial Management Manual, the MES should calculate the economic lives of vehicles instead of recommending disposal only when the cumulative repair and maintenance costs are considered abnormally high or the next major repair is uneconomical. 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.

As for now, pending the calculation of the right fleet size and decision for hiring of cars for seminars/ workshops, the VIPCPU and MES need to re-examine the criteria for disposal of vehicles in order to avoid spending on maintenance of those which have low usage.

5.5 Disposal of Vehicles

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, and hence, secure potentially higher disposal value. As recommended in the Financial Management Manual, the expertise of competent persons may be hired to advise on the setting of MRPs of vehicles. This will ensure that bidding during auction, starts with a minimum price that reflects the market value of a vehicle.

Ministry's Replies

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

- In respect of the excess vehicles in the Pool, actions have been initiated for the disposal of 25 of them;

- With regard to monitoring and oversight on the use of vehicles, a database will be created to record the daily use of vehicle;

- To fast tract the process of disposal of vehicles, the appointment of a Board of Survey to conduct several exercises is being considered instead of setting one at each time;

- To provide sufficient information on movement and use of vehicles, a new format for recording same will be worked out;

- The possibility of car suppliers to provide relieving cars, as part of purchasing contracts, is being considered. This will reduce the number of cars in the Pool and will bring monetary savings to Government;

- The option to dispose of the cars of beneficiaries at time of renewals by respective Ministries/ Government Departments where the latter are posted, instead of sending them to the Pool, is being considered.

Appendix I

Audit Questions and Sub-Questions

Three audit questions and related sub-questions were set, as described below, to answer the audit objective of whether VIP vehicles from the Pool were being provided at minimum cost for their intended purposes and services.

Audit Question 1: Were total holding costs of the VIP vehicles kept at minimum level?

Sub-Question 1: Was the VIP Fleet properly sized to meet the Pool's objective?

Sub-Question 2 Was there appropriate monitoring of the number and type of vehicles, and matching with eligibility criteria of beneficiaries?

Sub-Question 3: Was there adequate oversight on the size of the fleet and usage of the vehicles?

Sub-Question 4: Were the holding costs of vehicles monitored to minimise total fleet cost?

Audit Question 2: Were total repair and maintenance costs of the fleet minimised?

Sub-Question 1: Were good practices adopted by the MES to minimise repair and maintenance costs of vehicles?

Sub-Question 2 Were actual usage and right fleet sizing considered as additional criteria to decide upon the need to repair and maintain vehicles?

Sub-Question 3: Were economic lives of vehicles ascertained in order to identify the "Beyond Economic Repair" threshold for each make and model of vehicles?

Sub-Question 4: Were maintenance of idle vehicles adequately addressed?

Audit Question 3: Were maximum disposal proceeds obtained from sale of VIP vehicles through auctions, and all related fees and outstanding duties paid by buyers?

Sub-Question 1: Were disposals of vehicles timely to maximise sales proceeds?

Sub-Question 2: Were the MRPs appropriately set to reflect the market values of the vehicles?

Sub-Question 3: Was there follow up to ensure that all fees were paid upon transfer of ownership of the vehicles?

Appendix II

Assessment Criteria

Extracts of relevant good practices recommended by Consultants, Government Agencies and Authorities used as assessment criteria to assess operation, repair and maintenance, and disposal of VIP vehicles are as follows:

1. Western Australia Government "Fleet Policy and Guidelines" as at 1 October 2016 accessible at "www.finance.wa.gov.au"

Fleet Composition

Agencies should define their operational needs and then match their fleet size and mix to those requirements. Agencies need to determine:

- Their current and future needs and to consider alternative ways to meet those needs, such as short-term vehicle hire and taxi vouchers;
- Ways of reducing their fleet size and providing appropriate justification for new or replacement vehicles;
- An appropriate mix of vehicles, including models, colour, size and vehicle specification and consider the impact of these choices on operating costs and whole of life costs.

2. Analysis of Fleet Replacement Lifecycle at South Florida Water Management District - October 2012

Replacement Cycle Methods

The following three options may be used in determining when to replace a vehicle:

- Replace at established intervals based on age and mileage;
- Replace when the cost to repair exceeds the vehicle's value;
- Determine the optimum replacement point that results in the lowest total cost over the vehicle's life.

These three options are discussed in the following sections.

Replace at Established Intervals

Established interval replacement is based on establishing guidelines by vehicle class based on age or mileage. Under this method, a vehicle is replaced when it reaches its target age or mileage. Currently, the District uses the established interval approach with a target guideline of 12 years or 180,000 miles. Individual vehicle's maintenance and repair costs are also monitored to identify those that begin to significantly exceed the average cost within its vehicle category. The advantage of the interval replacement method is its simplicity of implementation as it removes subjectivity and judgment from the replacement decision process. The

disadvantage is that it may not result in the most economical cost because it does not consider variability of conditions among vehicles. For example, some models are historically more reliable and durable and can usually be driven longer without incurring major repairs compared to less reliable models. Consequently, some less reliable vehicles may be kept in service longer than they should thereby incurring costly repairs while others may be removed from service although they may have several years of functional service life left without incurring major repairs.

Replace When Repairing Exceeds Value

Replacing when repairing exceeds value approach keeps the vehicle in operation until it requires a major repair that exceeds the value of the vehicle. Typically, this occurs when a major component fails, such as a transmission or engine. Transmissions typically cost between $2,000 and $4,000 and the cost of an engine often exceeds $5,000.

Once a major component fails, the vehicle usually has little resale value as they are often sold for salvage. Selling the vehicle "as is" is generally preferable to repairing because the cost of the repair is usually not completely recoverable when selling the vehicle. If the major repair is performed, the investment is best realized through keeping the vehicle in service and extending its replacement target. Repair costs tend to start increasing dramatically at about 150,000 miles. The best time to sell a unit is just before a major breakdown. However, the challenge lies in pinpointing when it will occur and is the major disadvantage to the replace when repairing exceeds value approach.

Life Cycle Costing

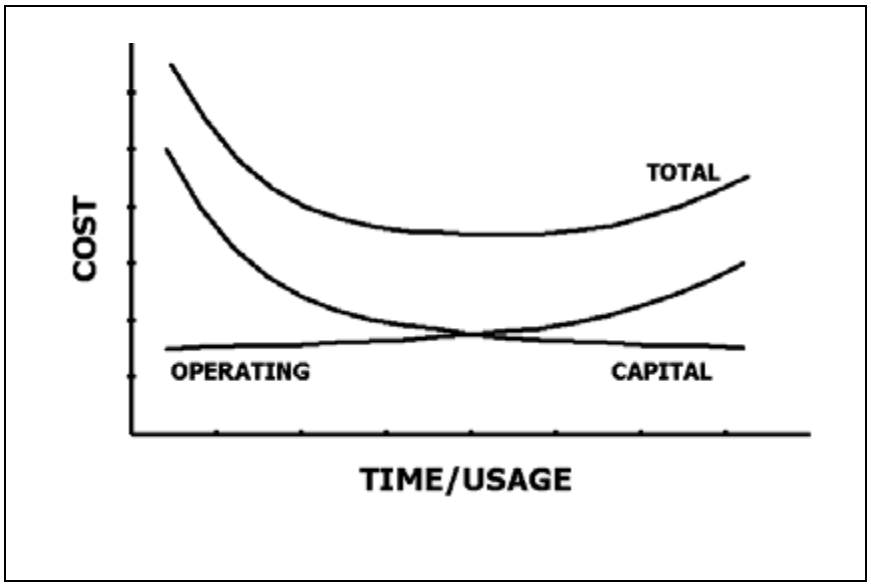
One of the most important considerations in developing a fleet replacement program is understanding the concept of lifecycle costs. As vehicles age, certain costs, such as maintenance and repairs tend to increase while other costs such as depreciation tend to decrease. When the sum of these and all other ownership and operating costs reaches a minimum, the economic life is reached. Quantifying and analyzing these costs is known as economic lifecycle analysis. Lifecycle analysis can be applied in three ways as a management tool. First, the analysis can be used to develop guidelines by vehicle class based on age or mileage replacement criteria before vehicles go into service. Second, the analysis can be used to assess individual vehicles after they have been in service to determine whether they should continue in service for another year or be replaced. Third, the analysis can be applied to evaluate the economics of major rebuilding programs for larger trucks and equipment units to assess whether it is more cost effective to rebuild the unit and extend its life or replace it with a new one. The typical parameters included in these analyses are the following:

- Depreciation;
- Cost of Money;
- Insurance;
- Fuel;
- Maintenance and Repairs.

3. Fleet Management Best Practices - Focused Review Final Report 2003 Conducted by Mercury Fleet Management Consulting & Martha Bueché, & Associates

Background and Industry Best Practices: Vehicles and equipment are replaced at various times depending on the type of vehicle and the nature and intensity of their use. Timely replacement is important for controlling vehicle availability, safety, reliability, and efficiency. The economic theory of vehicle replacement holds that vehicles should be replaced when the sum of ownership and operating costs is at a minimum. The chart below demonstrates this concept. The chart shows three cost curves. The capital (ownership) cost curve shows the decreasing cost over time of a vehicle as it ages and depreciates. The operating cost curve illustrates the increasing maintenance, repair, and fuel costs for the same vehicle over time. The total cost curve combines the two. The most advantageous point to replace this vehicle from an economic perspective is when the total cost curve is at its lowest. That is, when the combined cost of owning and operating the unit is at a minimum, just before it begins to increase. Delaying replacement much beyond this point actually causes total vehicle costs to rise, making a fleet more costly – not cheaper – to own and operate.

Economic Theory of Vehicle Replacement



Appendix III

Details of Monthly Holding Costs of 17 VIP Vehicles and their Usage

SN	Vehicle No	Make/ Model	Costs in Rs'000 **ACQ**: *Acquisition* **MHC**: *Monthly Holding Cost*		Usage (No. of Days) ***NYP**: Not Yet in Pool* ***R** : Relieving* ***D** : Duty* ***NIU** : Not in Use* ***RA** : Repairs at Agent* ***NS** : Not in sample* ***NA**- Records for August 2016 not Available*				
			ACQ	**MHC**	**NYP**	**R**	**D**	**NIU**	**RA**
1	162 RM 04	Mercedes C180	696	7	*NS*	*NS*	*NS*	*NS*	*NS*
2	86 RM 05	Nissan Infinity	1,304	11	-	-	-	186	58
3	66 RM 07	BMW 523i	1,700	20	-	16	12	154	62
4	163 RM 08	Jaguar XF	1,700	16	-	-	4	240	-
5	74 RM 08	BMW 320i	1,070	13	-	23	6	198	16
6	79 RM 08	Audi A6 - 4F20AC	1,070	8	-	30	-	193	21
7	265 RM 08	BMW 523i	1,700	17	-	39	-	185	20
8	37 RM 08	BMW 520D	1,500	17	*NA*	*NA*	*NA*	*NA*	*NA*
9	31 RM 08	BMW 320i	1,070	19	-	-	6	176	62
10	39 RM 08	BMW 523i	1,700	19	-	7	12	167	58
11	261 RM 08	Nissan Cefiro	1,070	9	-	10	79	155	-
12	264 RM 08	BMW 320i	1,070	17	-	74	11	112	47
13	269 RM 08	BMW 523i	1,700	21	-	96	7	98	43
14	6 RM 08	Mercedes S500	4,721	53	*NS*	*NS*	*NS*	*NS*	*NS*
15	54 RM 08	BMW 525D	1,700	23	*NS*	*NS*	*NS*	*NS*	*NS*
16	66 RM 08	BMW 525D	1,700	19	*NS*	*NS*	*NS*	*NS*	*NS*
17	58 RM 08	BMW 525D	1,700	19	*NS*	*NS*	*NS*	*NS*	*NS*

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