



REPORT

ON

**A SPECIAL AUDIT
OF
THE LICENSING DEPARTMENT
AT THE
MINISTRY OF COMMUNICATIONS & WORKS**

**OFFICE OF THE AUDITOR GENERAL
BRADES, MONTSERRAT
JULY 2009**

**SPECIAL AUDIT
OF
LICENSING DEPARTMENT**

This is the report of a special audit we conducted under section 8(f) of the Audit Act 2001.

July 2009

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SUMMARY

The increasing number of vehicles on Montserrat roads renders the role of the licensing and testing department more critical. The licensing department (LD) is responsible for vehicle and driver licensing, testing and maintaining national databases of all records. This department partners with the Royal Montserrat Police Force (RMPF) on traffic related matters.

Our significant findings

- The collection of revenue in respect of the various licenses and vehicle revenue issued by the department for 2007 was \$1,072,374 and \$1,163,905 for 2008.
- Procedures for processing driver license and vehicle registration were generally effective and efficient in proportion to the current resources.
- The department does not have specific mission and goals that feed into the Ministry's overall vision nor does it have a procedures manual in place that highlights the processes of the department.
- The office accommodation and testing facility is inadequate.
- There is a computerized system, but this is inadequate to meet the current needs of the department and the monitoring of the increasing number of vehicles on the island.
- There are no control mechanisms in place that ensures that all registered vehicles are licensed and that determines the road worthiness of vehicles prior to licensing.
- Issuing of temporary licensing by the RMPF is very effective. Additionally, the audit revealed the ineffectiveness of current measures in ensuring that all vehicles using the public roads on Montserrat are licensed and insured.

Our recommendations

Listed below are the major recommendations however other recommendations are included in the body of this report. We recommend:

- that a fully computerized vehicle registration system be implemented to modernize the vehicle system. Additionally, a sound driver license system needs

to be established to assist with ensuring that only qualified drivers receive licenses and to have a system that informs staff and the RMPF that drivers license have expired.

- the need for a LD operational/procedures manual to be put in place that provides an overview of the various operational processes currently in place within the department.
- proper office and testing accommodation is needed for the LD to fulfill its obligation in delivering quality service to the Montserrat public. This was also highlighted as a major problem in a customer service survey initiated by the auditors.
- Greater collaboration between the LD and the RMPF is required to ensure that only qualified drivers are driving and that all vehicles are licensed and insured.

Our view

The LD within the Ministry of Communications and Works is the main organization authorized to provide the services of registration, licensing and inspection of motor vehicles and issuing of drivers licenses and vehicle certification on Montserrat. The RMPF issues temporary drivers license to visitors to the island. It is imperative that all systems and processes are proactive and adequate to efficiently capture and monitor all information on related operations.

We are of the view that the introduction of fully computerized systems and collaboration between stakeholders is a matter of national importance. These systems for both drivers and vehicles licensing would enable the department to provide an enhanced level of service and eliminate some weaknesses currently being encountered.

PART 1

1.0. Introduction

The Licensing Department is responsible for vehicle and driver licensing, testing, and maintaining a national database of vehicle and license records. This enables the Department to:

- Examine all vehicles on Montserrat;
- Facilitate law enforcement and road safety by maintaining registers of drivers and vehicles;
- Collect relevant fees due.

1.1. Objectives of this audit

The purpose of this study was to assess and report on the effectiveness and efficiency of the operations of the Licensing Department and the Royal Montserrat Police Force. The aim was to:

1. Assess the effectiveness and efficiency of procedures for the granting and renewal of driver license and vehicle registration.
2. Determine whether the department is consistently providing services in accordance with relevant acts and/or regulations.
3. Review the effectiveness of the LD's internal control over driver licensing and vehicle registration-related revenues.
4. Establish whether the LD is employing resources and information technology in an optimal manner.
5. Assess the procedure at the RMPF for issuing temporary driver's licenses and evaluating their effectiveness in ensuring all vehicles on Montserrat are licensed.
6. Assess the effectiveness of the LD's driver license program to ensure that only qualified drivers obtain and possess a license and that all drivers have valid licenses.

1.2. Scope of this audit

A performance study of key operations carried out by the Licensing Department (LD) within the Ministry of Communications and Works was undertaken during the period February – May 2009. The audit focused on functions carried out by Vehicle Tester and his Assistant within the LD and the Royal Montserrat Police Force (RMPF). This study also reviewed procedures and controls established in the specific areas of registration and inspection. In this regard, audit assessments were made of management systems, control procedures and operations over the last two years. The collection and security of revenue relevant to these functions were also assessed.

1.3. Methodology

Interviews and discussions were held with LD senior management and officials responsible for the running of the section under review. Relevant documentation, including financial records were reviewed to enable the evaluation of the LD cost-efficiency and operational effectiveness.

A user satisfaction survey was also carried out by the Office of the Auditor General and this sought to establish the quality of service provided, feedback regarding waiting time and any other general comments.

The findings of this report were discussed with the Accounting Officer, senior staff of the Ministry of Communications and Works and the staff of the Licensing Department. Their views were taken into consideration when finalizing the report.

PART 2

2.0. BACKGROUND

The principal legislation that regulates the functions of the Licensing Department is the Road Traffic Act 4 of 1951 which came into force in May 1952 with a few amendments over the years and the Road Traffic Ordinance 249 and Regulations 2002. In 1952, the duties of the Licensing Department were conferred on the Traffic Commissioner who was the most senior police officer stationed on Montserrat as is the case today.

In January 1992, the responsibility of licensing vehicles was handed over to the Ministry of Communications and Works. Throughout the years the main business of the Licensing Department continued to be examining, registering and issuing vehicle and driver's licenses and certificates of vehicles. Part I, section 4 (1) of the Road Traffic Act states that the Traffic Commissioner is the authority for the registration and licensing of vehicles. It is his duty to regulate and control traffic on roads, keep records of all accidents, keep a drivers' offences book, furnish the Governor with a report of all accidents and enforce the provisions of this Act and of any regulations made thereunder.

The Royal Montserrat Police Force (RMPF) continues to undertake related functions such as traffic, insurance checks, driving examinations and written test, upgrading driver's licenses, issuing temporary/visitors driver's licenses and vehicle inspection.

The principal functions of the LD are:

- **Issuing of licenses** (motor vehicles and drivers);
- **Testing** of motor vehicles;
- **Registration** of motor vehicles, transfer of ownership of motor vehicles and conversions to vehicles;
- **Issuing of special permits** to owners of tractors, motor lorries and trailers for conveying heavy machinery or other articles in excess of five (5) tons;
- The **collection of registration fees**, various driving license fees, road tests and other related fees and vehicle inspection charges.

It is important to note that there are a number of organizations that have vehicles but are not required to pay fees. They are the:

• Ministry of Communications & Works	• Ministry of Health & Community Services
• Ministry of Finance	• Royal Montserrat Police Force
• Montserrat Port Authority	• Montserrat Fire & Rescue Services
• Montserrat Tourist Board	• Montserrat Development Corporation
• Ministry of Agriculture	• Development Unit
• D. M. C. A.	• Her Majesty's Prison
• Governors Office	

2.1 GENERAL FINDINGS

- i. As at end 31st December 2007, LD records indicate that 2,364 vehicles were duly issued with valid road licenses and at the end of December 2008, 2,471 were licensed.

Number of Vehicles on Register by type and year - 2007 & 2008

Vehicle Category	2007 Number	2007 Distribution (%)	2008 Number	2008 Distribution (%)
Cars	1127	47.67	1129	45.69
Pickup	260	11.00	260	10.52
Omnibus	105	4.44	117	4.73
Jeeps	671	28.38	738	29.87
Lorries	9	0.38	11	0.45
Dump Truck	89	3.76	97	3.93
Tankers	22	0.93	19	0.77
Tow Tractors	5	0.21	5	0.20
Loaders	17	0.72	24	0.97
Graders	2	0.08	2	0.08
Rough Riders	7	0.30	8	0.32
backhoes	5	0.21	6	0.24
Fork Lifts	9	0.38	11	0.45
Mokes	1	0.04	2	0.08
Motorcycles	16	0.68	18	0.73
Tractors	5	0.21	7	0.28
Road Rollers	3	0.13	5	0.20
Vans	11	0.47	12	0.49
	2364	100.00	2471	100.00

The increasing number of vehicles on Montserrat roads renders the role of the licensing and testing department more critical. The implementation and maintenance of vehicle and driver's license databases and equipment can facilitate law enforcement and incorporates built in control mechanisms has now become a necessity.

ii. Information collected on all vehicles represents permanent records and as a result, accuracy, confidentiality and security of the documents used to record such information are critical to the efficient operations of the LD. The working environment at the Ministry of Communications & Works where the Licensing Department is based is extremely inadequate as important documents are kept in the open office environment where all employees have access to them. The yard where the tester examines the vehicles is also the parking facility for employees and as a result is often congested.

iii. The documents currently utilized by the LD appear to be adequate to collect the necessary data. The examiner's certificate however, requires two checks to be done that are not performed 1) tester to drive the vehicle and 2) every vehicle must be weighed.

iv. Additionally, our audit disclosed that the department does not have a specific mission and or goals that feed into the Ministry's overall vision.

v. The auditors sent a total of 50 questionnaires via email and there was an overall response rate of 40%. Saunders et al (2003)ⁱ refer to a 30% response rate as reasonable and sufficient for the purpose of analysis. This survey was undertaken to discover what users thought of the service being provided by the LD. The responses include the following:

- Generally, most persons thought that the service and staff were good.
- Respondents generally waited 10-20 minutes to have their vehicle licensed with only one respondent encountering a problem during the process.
- A limited number of respondents have been checked for license by the police.

ⁱ Saunders et al (2003), Research Methods for Business Students, 3rd Edition, Harlow: Pearson Education Limited

- On a scale of 0 to 10 the average rate given to the LD for their customer service was 7.3.
- ¾ of the respondents commented about the inadequate environment where their vehicle had to be examined. Words used include congested, poor location, small area, and overcrowded.

vi. The information on the current paper disc fades within a few months due to the elements and at times one is unable to read the information on the disc.

2.2. RECOMMENDATIONS

1. We recommend that the LD establish a mission and or goals that are aligned with the overall vision for the Ministry.

2. Suitable office accommodation is required to house the LD and a garage like facility must be erected to accommodate a weighing bridge. Adequate spacing is required for the cars to be inspected and tested properly to ensure road worthiness.

3. The LD need to consider updating the paper licensing disc to a plastic disc which may contain a machine readable barcode. A machine readable disc would be a key function of the computerized system and can last for years and only be replaced if necessary. The effectiveness of a plastic disc means that wear and tear would be at a minimum and this disc can be scanned whenever a vehicle is taken for license renewal.

2.3. MANAGEMENT RESPONSE

The department is in the process of amending the MCW mission statement and this will include the licensing department. The department is aware of the inadequacy of the current vehicle database and is considering the options of a new database.

Earlier this year permission was granted for Traffic Section in the Royal Montserrat Police Force to access the Traffic database (read-only) to facilitate the Police in carrying out their traffic duties as it relates to monitoring vehicles that are not licensed and insured.

The volcanic crisis has impacted negatively on the licensing department in terms of space availability for officers to perform their duties effectively and efficiently. The Ministry of Communications and Works is currently operating from dwelling house/property therefore space for testing vehicles is limited. A new headquarters site for the Ministry has been proposed and this will allow for the proper testing of vehicles.

Financial constraints render the department unable to update the licensing disc system to plastic; however a proposal for funding will be followed up, once a suitable funding opportunity arises.

3.1. ASSESSING PROCEDURES & SERVICE DELIVERY

Objective 1: *To assess the effectiveness and efficiency of the Licensing Department's procedures for testing, granting and renewing driver license and vehicle registration.*

Objective 2: *Determine whether the department is consistently providing services in accordance with relevant acts and/or regulations*

3.2. FINDINGS

i. We sought information from staff as to the procedure for licensing a vehicle (refer to appendix 1 – LD inspection process flow chart). We noted that the inspection fee was paid after the vehicle tester carried out his examination. The order of this procedure should be reversed as further observation and discussions revealed this is a key area where the Government of Montserrat is losing revenue. For example, during an inspection the tester detects a defect and asks the motorist to get the defect rectified and return to have the vehicle licensed. We have noted that this person has not yet paid for that inspection. Upon the motorist's return the vehicle is retested and if in order an inspection fee is paid. The notification to motorist about defects is verbal and is not documented.

ii We concluded that procedures for processing driver license and vehicle registration were generally effective and efficient in proportion to the current resources.

iii. The department does not generate management reports or have a departmental policy or procedures manual that could be used as a guide when seeking information or evaluating its operations.

iv. There are no control mechanisms in place from the LD standpoint that assures that all registered vehicles are licensed.

v. Additionally, there are limited mechanisms in place that determine the road worthiness of vehicles prior to licensing. The examiner's certificate highlights an area where testers should drive the vehicle but this is not done. Examining Officer's certificate states that *"I have personally made a thorough examination of, and driven and tested the.."* The certificate has other functions that are not being performed because of lack of adequate facilities, for example, checking gross weight in pounds. The auditor was informed that this figure is normally estimated. The equipment that was used pre volcano to check weights was not relocated and there has been no replacement.

Furthermore, the Road Traffic Act 2002 Section 18 states that it shall be lawful for the Licensing Officer before granting a license (including a renewal) in respect of a motor vehicle or trailer to:

(a) require a motor vehicle or trailer to be weighed in the presence of a person authorized by the Licensing Officer.

3.3. RECOMMENDATIONS

1. Collection of the inspection fee should be the second procedure the vehicle owner adhere to after completing the application form to have their vehicle licensed. It is our recommendation that the system be changed to ensure that the fee is first paid to the clerical officer/cashier. After being issued with a receipt this should be taken to the tester who should then inspect the vehicle. If the vehicle does not pass the test then the motorist is obligated to rectify the problem and then return and pay for another inspection (refer to appendix 2 – proposed flow chart).

2. We recommend that a defects notification be issued and or that the defect be recorded in a register (refer to appendix 2 – proposed flow chart).

3. The implementation of a manual or departmental procedures is required which can be used as a guide for new employees orientation and also for auditors to use to understand the operations of the department.

4. The implementation of a fully computerized system will assist the department with easy identification of registered vehicles that have not renewed their licenses.

5. An improved licensing facility would allow vehicle testers to carry out all the required testing as stipulated by law.

3.4. MANAGEMENT RESPONSE

The Ministry will look at instituting this recommendation.

Recommendation for a defect notification and register is accepted and will be implemented by 1 January 2010.

The department was in the process of collating a procedures manual which should be written and agreed by the end of the first quarter 2010 and implemented from 1 June 2010.

Management's reports are produced by the department; currently data for the first quarter was produced.

4.1. REVENUE COLLECTION

Objective 3: Review the effectiveness of the LD's internal control over driver licensing and vehicle registration-related revenues

4.2. FINDINGS

i. A clerical officer within the Ministry of Communications and Works is responsible for collecting fees and issuing receipts. The controls in place to ensure revenue procedures are being adhered to are effective and staff is efficient with the collection process and safeguarding government revenue.

Total Revenue collected by the LD as per Smartstream

Description	2007	2008	Difference	% ↑ or ↓
Vehicle License Revenue	843,970.00	926,675.00	82,705.00	9.8
Various Drivers Licenses	228,404.30	237,230.00	8,825.70	3.9
Total Revenue	1,072,374.30	1,163,905.00	91,530.70	13.7

The collection of revenue in respect of the various licenses issued by the department for 2007 and 2008 was \$1,072,374.30 and \$1,163,905.00 respectively. The documents examined at the LD gave varying revenue figures i.e. \$1,032,231.75 and \$1,141,391.25 for 2007 and 2008 respectively. This indicates that recording of information is inaccurate on the summary sheets. However, the revenue collected highlights the significant role the LD plays in raising a significant portion of the government revenue and the need to provide a more improved, accurate and complete service.

ii. The Road Traffic Act 2002 Second Schedule outlines the provisions to be complied with respect to licence plates, the size and dimensions of each letter and digit. We observed varying licence plates on vehicles on Montserrat and have found that some fonts differ and many have designs. No provision or charge is in place to allow for such designs on number plates.

4.3. RECOMMENDATIONS

1. We recommend the continuance of the current system to ensure appropriate and accurate collection of revenue.
2. We are recommending that management explore the possibility of and take steps to charge fees for specialized numbers. Persons with the standard licence plates would not be required to pay a fee but where people want to add symbols, quotes or names to the number plate a fee can be charged for this additional design.
3. We recommend that senior staff provide adequate supervision to ensure that information is properly recorded and the various reports e.g. management reports are produced.

4.4. MANAGEMENT RESPONSE

Specializing numbers plates would be a Policy decision, and would be explored after a government is reinstated.

The Traffic Section staff is currently monitored by the Assistant Secretary, and during slow periods staff members are assigned duties by the Executive Office of the Accounts Section.

5.1. EMPLOYING RESOURCES

Objective 4: Establish whether the department is employing resources and information technology in an optimal manner

5.2. FINDINGS

i. There are three staff employed within the LD, there is a vehicle tester and an assistant vehicle tester and a clerical officer/cashier to assist with the collection of revenue. The LD currently uses a vehicular licensing computerized system that was developed and implemented by the Computer Unit (Colin Fergus) in 2001. The system only allows for the recording of basic information such as owner, vehicle number etc.

The computerized system currently used by the LD is considerably inadequate and does not meet the full needs of the department. Only one computer has the system implemented and both officers share this computer which is a problem during peak times and causes a build up of customers. The system is outdated and is not in line with other Caribbean counterparts who have fully computerized their LD and who also do not issue manual license disc which often get damaged due to the elements in Montserrat's case.

ii. All vehicles are expected to be licensed in January each year which is considered to be the peak season. Although the first month is a very busy time the current staffing level is adequate in proportion to the current services being provided. The survey responses confirmed that the waiting time for motorist to have their vehicle licensed was between 10 and 20 minutes.

The police have implemented a grace period which is not enshrined in law but ends on March 31st each year. This allows for some slack and prevents a rush by motorists to license their vehicle in the month of January. If a vehicle was bought in August it would be licensed up to 31st December of that year and has to be renewed in January of the following year. Documentation revealed that there are days in the year when there are no renewals or vehicle registration or request for drivers license. This is a clear indication that sometimes the staff is not being used at full capacity in the LD. Further discussions revealed that LD staff would assist the Ministry in other areas such as accounting and administrative.

iii. Vehicle testers often visit premises of those person(s) who have heavy equipment to be licensed. These vehicles are not driven, the tester checks for tyre conditions and ensures that lights are working which we feel is insufficient.

5.3. RECOMMENDATIONS

1. We recommend the implementation of a fully computerized vehicle and administration system which can be used to document, update and print vehicle information. This system would enable statistics related to vehicle and driver's licenses to be generated and produce management reports which the current manual system does not provide. The associated internal controls would guarantee accountability and data integrity and provide an audit trail for every transaction.

2. We recommend an adaptation of a system where vehicles renew their licenses exactly one year after it has been registered. This would eliminate any grace period and reduce the influx of persons in January whilst having a very active LD through the entire year and not just in the first three to four months of the year. Alternatively, vehicles can be licensed in the month corresponding to the last digit of the registration number i.e. number plates ending in one and two are licensed in the months January and February respectively.

3. We recommend improvement to the testing and inspection of vehicles once adequate facilities are in place and consideration be given to employing a mechanic to work along with testers or ensuring that testers are also versed in mechanical

engineering. This is to ensure that all vehicles using the public roads on Montserrat are roadworthy.

5.4. MANAGEMENT RESPONSE

As stated earlier in section 2.2 the computerized system is currently been reviewed.

6.1. ASSESSING PROCEDURE & EFFECTIVENESS OF LICENSING

Objective 5: To assess the procedure at the RMPF in issuing temporary driver's licenses and assessing the effectiveness of ensuring all vehicles on Montserrat are licensed.

6.2. FINDINGS

i. The audit disclosed that this system of issuing temporary license is very effective and accommodating because it also caters for those who are unable to visit the LD during working hours and on weekends to obtain a temporary license.

ii. Discussions with key staff revealed that some vehicles that got into accidents during the period under review and even during the time of this audit were unlicensed and uninsured. This highlights RMPF measures are not effective in ensuring that all vehicles using the public roads on Montserrat are licensed and insured.

iii. Examination and licensing of dump trucks, excavators and other heavy equipments are conducted at the owner's property by the vehicle tester. The audit disclosed that there are times when the LD is not notified that a new equipment or truck was purchased and does not go through the licensing process, hence remained unlicensed and uninsured.

6.3. RECOMMENDATIONS

1. A computerized system that can be integrated and used by both the LD and RMPF will help to alleviate this problem of not knowing who has not licensed their vehicle.

- ii. Greater collaboration and coordination is required between the LD and the RMPF in insuring that all vehicles on Montserrat are licensed.

6.4. MANAGEMENT RESPONSE

The Office of the Auditor General did not receive a response from the RMPF.

7.1. EFFECTIVENESS OF DRIVER LICENSE PROGRAM

Objective 6: To assess the effectiveness of the LD's driver license program to ensure that only qualified drivers obtain and possess a license and that all drivers have valid licenses.

7.2. FINDINGS

- i. We concluded that the department was generally effective in ensuring that only qualified drivers obtain and possess a license as a manual database is kept but this is not updated often. In completing the application form, drivers must write their previous driver license number and date of issue which is a control that ensures that only someone that has had a license before can request a renewal license.
- ii. We found that the vehicle tester sometimes inform some persons that their license has expired. Our survey revealed that there are instances where people are driving for months unaware that their license has expired and there are some who are aware that their license has expired and little or nothing is done until those individuals renew their licenses. This highlights the ineffectiveness of the department in ensuring that all drivers are authorized to drive.

7.3. RECOMMENDATIONS

- 1. We recommend again the need for a drivers license computerized system or the implementation of a computerized national database record system. This will enable the department to keep track of all person's who qualify to have a license and alert the officer's to remind drivers in due time that their licenses will expire on a specific date.

This system may bare administrative cost because of the notification letters, however, with the advent of technology the system can easily send email if driver's are asked to include their email address on registration forms. This would eliminate the need to use letters for notification.

7.4. MANAGEMENT RESPONSE

A driver's license software has been purchased and the department is awaiting its arrival from the United States of America. To be implemented by 1 November, 2009.

8.1. CONCLUSION

There were many recommendations and it is for the management of the LD and RMPF to decide the best course of action to improve some of the systems and implement new ones. The current computerized system is outdated and the LD must seek ways to readdress the implementation of a new system in order to maximize the potential for improving efficiency in providing information at a faster pace.

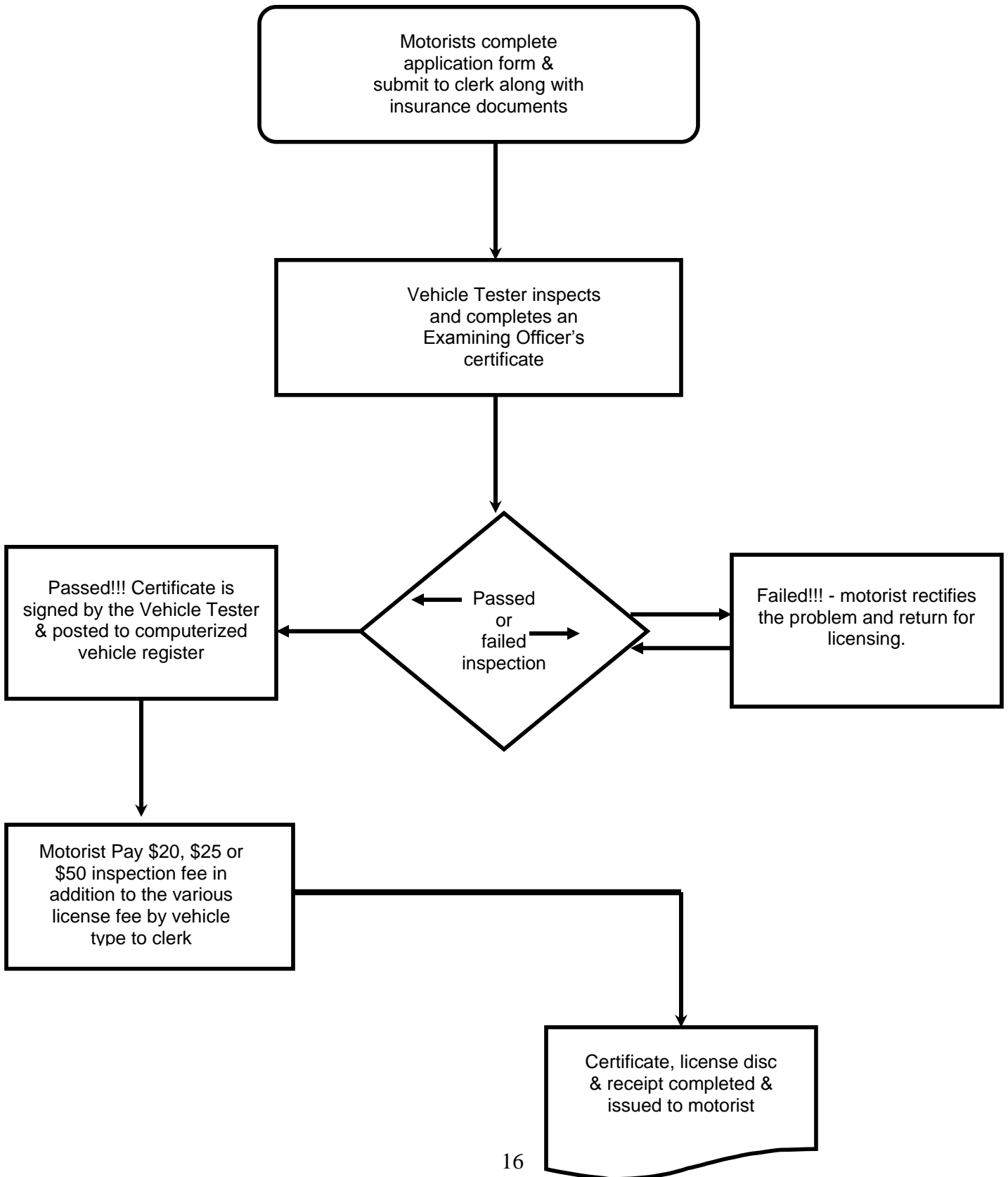
The LD is a key department which generates substantial revenue for the Government of Montserrat. The introduction of an integrated computerized system should be seen as priority as it would enhance the LD status if the recommendations were adapted. Consideration should also be given to an integrated system in the registration process which can be linked with the Police and other key stakeholders to enable a system of detection and prosecution of offenders in an efficient, effective and economical manner.

8.2. ACKNOWLEDGEMENT

The Auditor General wishes to express her gratitude for the assistance and courtesies extended to the auditor during the course of this audit.

Florence A Lee
Auditor General

APPENDIX 1
Licensing Department Inspection Process Flow Chart



APPENDIX 2

Proposed Licensing Department Inspection Process Flow Chart

