



Northern Ireland
Assembly

Public Accounts Committee

Report on Driver and Vehicle Agency 2019-20

Together with the Minutes of Proceedings of the Committee relating
to the Report and the Minutes of Evidence

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PUBLIC ACCOUNTS COMMITTEE

Membership and Powers

The Public Accounts Committee is a Standing Committee established in accordance with Standing Orders under Section 60(3) of the Northern Ireland Act 1998. It is the statutory function of the Public Accounts Committee to consider the accounts, and reports on accounts laid before the Assembly.

The Public Accounts Committee is appointed under Assembly Standing Order No. 56 of the Standing Orders for the Northern Ireland Assembly. It has the power to send for persons, papers and records and to report from time to time. Neither the Chairperson nor Deputy Chairperson of the Committee shall be a member of the same political party as the Minister of Finance or of any junior minister appointed to the Department of Finance.

The Committee has 9 members including a Chairperson and Deputy Chairperson and a quorum of 5.

The membership of the Committee since 20 January 2020 has been as follows:

Mr William Humphrey (Chairperson)

Mr Roy Beggs (Deputy Chairperson)

Mr Cathal Boylan

Ms Órlaithí Flynn

Mr Harry Harvey¹

Mr David Hilditch

Mr Maolíosa McHugh

Mr Andrew Muir²

Mr Matthew O'Toole³

¹ With effect from 17 February 2020 Mr Harry Harvey replaced Mr Gary Middleton

² With effect from 31 March 2020 Mr Andrew Muir replaced Mr Trevor Lunn

³ With effect from 19 May 2020 Mr Matthew O'Toole replaced Mr John Dallat

List of Abbreviations used in the Report

the Committee	Public Accounts Committee (PAC)
CPD	Construction and Procurement Delivery
C&AG	Comptroller and Auditor General
DVA	Driver and Vehicle Agency
LOLER	Lifting Operations and Lifting Equipment Regulations
NIAO	Northern Ireland Audit Office
NICS	Northern Ireland Civil Service
PPM	Planned and Preventative Maintenance

Executive Summary

1. In late January 2020, the Driver and Vehicle (DVA) announced that most vehicle testing services were to be suspended for safety reasons, following the identification of cracks in most scissor lifts. In response to these safety issues the Minister for Infrastructure commissioned two independent reviews, one by independent engineers and another by Northern Ireland Civil Service (NICS) Group Internal Audit and Fraud Investigation Service.
2. The independent engineers concluded that the cracking in the lifts was a result of fatigue. It noted that the lifts had undertaken approximately 150,000-160,000 cycles since installation, significantly more than the 22,000 cycles that the lifts are designed for. The Department told the Committee that the lifts can have a longer life expectancy and this is subject to annual evaluation.
3. The review by Internal Audit focussed on the timeline of events that led to all lifts being taken out of operation. It confirmed that a maintenance and inspection regime had been in place and no cracks had been identified until November 2019 when the first cracks were found at the Larne test centre during the six monthly examination. It also noted that a survey of all vehicle testing equipment had been carried out in 2018. The survey showed that the lifts, while showing signs of wear and tear, were generally in good condition.
4. The Committee heard that the DVA took assurance from the survey and the ongoing maintenance and inspection regime that a major refresh of lifts would not be necessary. It did not anticipate the scenario where all the lifts would be taken out of service at the same time. The Committee was deeply concerned that the DVA had not projected the life span of crucial equipment and did not have a phased replacement plan in place. The Committee considers this to be a basic principle of good asset management.
5. The Committee is in no doubt as to the importance of adhering to the required standards of health and safety, particularly when operating large and potentially risky equipment such as lifts. The safety of both employees and customers is paramount. The Committee expressed concerns in this regard as it appears the DVA were continuing to use assets which had far exceeded their useful life. In the

Committee's view this was a high risk strategy. The Committee finds it ironic that an organisation in the business of testing the roadworthiness of vehicles was not able to ensure its own equipment was being properly maintained.

6. Vehicle testing is the main source of income for the DVA and the Committee heard that income to the value of £2.95 million was lost due to the suspension of vehicle tests. The DVA also incurred costs of £980,000, primarily due to compensation for cancelled tests. In addition, the DVA spent £1.8 million replacing 52 out of 55 lifts.
7. An action plan is in place to address the issues identified by the independent engineers and Internal Audit. The Committee welcomes the oversight regime which has been put in place to ensure these actions are implemented and the transparency achieved through the quarterly publication of progress reports.
8. Witnesses apologised for the significant disruption to the public caused by the suspension of vehicle tests. The lifts issue is not the first time, in recent years, that the DVA has found itself at the forefront of negative media coverage and customer dissatisfaction. The Committee recalls the significant disruption to the service during 2019 due to long MOT waiting times, with some customers unable to get MOT appointments before their MOT due dates. The Committee believes the DVA needs to renew and strengthen its focus on customer service.

Recommendations

Recommendation 1

9. In the Committee's view the DVA should have been much more rigorous in estimating a lift replacement schedule, informed by the usage of the lifts across the test centres.

The Committee recommends that an estimated life span of crucial equipment must be determined based on good quality management information and a phased replacement programme put in place for all equipment to minimise any potential disruption to future service delivery.

Recommendation 2

10. The Committee is concerned that the DVA was overly reliant on the contractor and the planned and preventative maintenance schedule. The Committee notes that in the aftermath of the lifts issue, some of the clauses in the contract, including that in relation to contractor performance, have now been reviewed and strengthened. However, there remain contract management issues and more needs to be done.

The Committee recommends that the DVA strengthens its oversight of the contract with MAHA particularly regarding the quality of the planned and preventative maintenance regime. Furthermore the DVA should ensure that any future relationships with new suppliers are underpinned by contracts which include strong performance and penalty clauses.

Recommendation 3

11. Prior to 1 April 2016 the DVA's operations were partly funded under a Trading Fund Order and partly funded by Assembly Supply. The Driver & Vehicle Agency Trading Fund Order (Northern Ireland) 2016 came into effect on 1 April 2016. This transferred all the DVA's activities into the trading fund.

The Committee considers that as the DVA has now been operating as a full trading fund for five years, the Department for Infrastructure should commission a review of the arrangements for the DVA and assess its effectiveness including customer service.

Introduction

12. The Public Accounts Committee (the Committee) met on 18 February 2021 to consider the Comptroller and Auditor General's (C&AG's) Report on the Driver and Vehicle Agency (DVA) 2019-20 Annual Report and Accounts. The main witnesses were:

- **Mrs Katrina Godfrey**, Accounting Officer, Department for Infrastructure;
- **Mr Jeremy Logan**, Chief Executive, Driver and Vehicle Agency; and
- **Mr Kieran Donnelly CB**, Comptroller and Auditor General.

Background

13. The DVA is an agency within the Department for Infrastructure and operates as a trading fund. Essentially a trading fund is an operational entity which is financially self-sufficient. The DVA generates income through vehicle and driver testing and licensing services to the public. The majority of the DVA's income and activities are related to vehicle testing. There are currently 15 MOT centres in Northern Ireland¹ which carry out approximately one million tests on the roadworthiness of vehicles each year.

14. Scissor lifts are fundamental in carrying out MOT tests as they are used to check the under body of most vehicles. The lifts within the MOT centres are owned by the DVA and were supplied by MAHA between 2011 and 2013. Since 2013 MAHA have been contracted to supply and maintain the MOT vehicle testing equipment. Prior to this the DVA had a Private Finance Initiative (PFI) contract for the provision and maintenance of vehicle testing centres. The contract was in place with Romaha Limited since 2001. Romaha Limited was established solely to operate the PFI contract and comprised of two companies, one of which was MAHA. As such there has been a long standing relationship between the DVA and MAHA.

¹ Ballymena, Belfast, Larne, Lisburn, Mallusk, Armagh, Craigavon, Downpatrick, Newry, Newtownards, Enniskillen, Coleraine, Londonderry, Cookstown, Omagh.

15. In late January 2020 most vehicle testing services were suspended for safety reasons, following faults identified in the scissor lifts. The suspension of MOT tests due to the faults in the lifts caused significant disruption to the public and substantial loss of income for the DVA.
16. In January 2020 the Minister for Infrastructure commissioned two independent reviews². The first was a short review by independent engineers exploring the steps needed to return the MOT centres to full service operation. The second review was conducted by NICS Group Internal Audit and Fraud Investigation Service and focussed on the timeline of events which led to the 55 lifts being taken out of operation.
17. The independent engineers report concluded that the defects were a result of fatigue and that the lifts had exceeded their design cycles. The report recommended that all lifts exhibiting signs of fatigue should be replaced not repaired. Three lifts were not found to be exhibiting signs of fatigue.
18. The Internal Audit investigation confirmed that a maintenance and inspection regime was in place. The independent engineers report did however recommend that there should be a more specific list of items to be inspected. Internal Audit also noted that MAHA carried out a survey of all existing vehicle testing equipment, including the lifts, in October 2018. This survey showed that the lifts, whilst showing signs of wear and tear, were generally in good condition. The DVA took assurance from the 2018 survey that a major refresh of lifts would not be necessary and did not anticipate the scenario where all the lifts would be taken out of service at the same time.
19. The DVA had not projected the end life of the lifts and did not have a replacement plan in place. The DVA had placed reliance on MAHA to provide expert advice on the condition and associated replacement programme for individual vehicle lifts. According to the DVA it was not possible to determine the absolute life cycle of each vehicle lift as it is determined by a number factors including load distribution; load; and number of lift cycles. It is however possible to estimate a theoretical lift

² <https://www.infrastructure-ni.gov.uk/publications/audit-investigation-report-dva-lifts>

replacement cycle and this was not done. The Committee's view is that this was a damning failure.

20. The suspension of tests resulted in lost revenue of £2.95 million for the period January - March 2020. In addition, costs in the region of £980,000 were incurred, including £702,368 in compensation for cancelled tests, and other costs associated with issuing temporary exemption certificates. The DVA made a loss for the 2019-20 year of £2.1 million, compared with a surplus of £5.5 million in the previous year.

21. The DVA replaced 52 out of 55 lifts. The replacement lifts were supplied by MAHA following the receipt of legal and procurement advice. The replacement lifts cost £1.8 million and have been financed from the DVA reserves.

The DVA had not projected a life span for the scissor lifts and crucial management information on lift usage was not collated

22. The Committee heard that the lifts undertake approximately 20,000 lift cycles per year. This varies across the centres, as some are busier than others. The Committee understands that equates to approximately 150,000-160,000 lift cycles since installation. Witnesses told the Committee that they had not identified an absolute life span for the lifts. In the Committee's view, this was a gross oversight. Discussions around life spans only started to occur in the aftermath of cracks being found in lifts between November 2019 and January 2020. According to witnesses MAHA have told the DVA that the life span of lifts could range between 5 and 25 years depending on the usage and to be definitive is very difficult as it is dependent on various parameters including load distribution; load and number of lift cycles.

23. Witnesses advised that the figure of 20,000 lift cycles per year for each lift is estimated by the DVA based on the number of vehicles tested each year. The lifts did not have lift cycle counters. The Committee was surprised to find that the computer system records the number of tests conducted per lane but does not record the number of cycles each lift performs. Witnesses advised that the DVA's usage means that lifts are not always fully extended, and the vast majority of load cycles are significantly below the maximum load the lift is designed to carry.

Therefore, the DVA was of the view that the number of lift cycles alone was not considered to be the determining factor to inform a lift replacement programme. Instead, the DVA relied upon a maintenance programme, to provide assurance that all lifts continued to be safe to operate.

24. The Committee was shocked that crucial information regarding the number of cycles and the load being lifted was not collated by the DVA. It appears to the Committee that the DVA were continuing to use assets which had far exceeded their useful life. The Committee questioned how this approach aligned with the health and safety responsibilities and duty of care to the DVA's staff. Witnesses advised that the lifts continued to be used in the context that there was a maintenance and inspection regime in place. Witnesses stressed that there is an absolute focus on ensuring the health and safety of both staff and customers and as such, if the maintenance and inspection regime identifies any concerns, the DVA always ensures the necessary action is taken.
25. In the Committee's view the failure to collate crucial management information and estimate the life span of essential equipment was a causal factor in the suspension of MOT tests in January 2020.

There was no phased asset replacement plan in place to mitigate disruption to service delivery

26. The witnesses acknowledged that one of the lessons learned relates to the contingencies that are in place when there is a wholesale service failure. The DVA had significant reserves and the ability to replace equipment. As such, the decision to sweat the assets was not due to a pressure on finances which were available and could have been used to replace the lifts sooner. What was not foreseen was a situation whereby so many of the lifts needed to be replaced at the same time.
27. Witnesses advised that the DVA Transformation Programme includes plans to upgrade the network of test centres and replace all equipment. Those plans were at an advanced stage but unfortunately due to the collapse of the Assembly, there was a delay in decisions on the new test centre network. The Committee heard

that the DVA sought advice from Construction and Procurement Delivery (CPD)³ in terms of how to manage the equipment contract. Following advice from CPD, a business case was subsequently prepared recommending continuation of the MAHA contract by means of direct award. The contract continued to provide for the replacement of any items of equipment that were deemed beyond repair and the equipment continued to be managed under the existing maintenance regime. As such, the DVA intended to repair or replace equipment on an individual basis as required.

28. The Committee finds this argument unconvincing and remains concerned that there were no plans in place for a phased programme of lift replacement given that the lifts were between 7 and 9 years old and had done well in excess of the recommended lift cycles. The Committee considers the strategy adopted by the DVA was a huge risk. In the Committee's view the DVA should have been much more rigorous in estimating a lift replacement schedule, taking account of the different usage levels of the lifts across the test centres.

The DVA relied heavily on MAHA and the Planned and Preventative Maintenance (PPM) schedule

29. The Committee heard that the DVA relied on MAHA and the expertise they provided through the PPM schedule and the condition reports completed by MAHA in October 2018 which said that the lifts were in good working order. Witnesses advised that they were seeking to maximise the usage of those lifts and there was nothing in the eight weekly and six monthly inspections that indicated the lifts had reached the end of the useful life until the first cracks were identified in the Larne test centre in November 2019.

30. The Committee cannot understand how the situation arose where no cracks had been identified in any of the lifts as part of the inspection regime prior to November 2019, and in a matter of months, 52 out of 55 lifts were required to be replaced. In the Committee's view, that is a very high number for lifts that were regularly inspected. Witnesses advised that the cracks took everyone by surprise,

³ Construction and Procurement Delivery (CPD) is a division in the Department of Finance responsible for helping clients across the NI public sector deliver successful projects.

including MAHA. The Committee contends that, if the inspections carried out were adequate, there should have been no surprises.

31. Witnesses explained that the first cracks identified in the lifts in the Larne test centre were small hairline cracks in and around the pivot boss. The Committee heard that the small hairline cracks could have been covered by grease and oil which could have concealed the signs of the cracks. Once the first cracks were identified witnesses believe it drew the examiner's attention to this area in the subsequent inspections. The Committee is not satisfied with this explanation and remains concerned by the quality of the inspections.

32. The Committee notes that the report completed by independent engineers, after the suspension of MOTs, suggests that the maintenance schedule may not have been sufficiently detailed and that the inspection process may not have been sufficiently aligned to the lift usage. Witnesses told the Committee that the maintenance regime has now been refined.

MAHA was responsible for maintaining the lifts and also for arranging the inspections of the lifts

33. MAHA was responsible for maintaining the lifts and was also responsible for the inspection of those lifts, albeit the six monthly Thorough Examination Inspections, were subcontracted by MAHA to HSB engineering insurance. Witnesses advised that it is not uncommon to have a contract to supply, service and maintain equipment and the combination of the supplier and an independent insurance inspector should be a reasonable safeguard.

34. The Committee believes there was a potential conflict of interest and inherent risk associated with that regime that should have been identified sooner as a key area of concern. As such, the Committee welcomes the witnesses' assurances that steps have now been taken to remove the independent Thorough Examination Inspections from the contract with MAHA. They are now managed directly by the DVA under a separate contract which will enable timely access to the information and could assist in strengthening the internal controls around the inspection regime.

The contract for the supply and maintenance of the equipment has been extended through several Direct Awards

35. The Committee expressed concern that there has been no open competition for the contract to supply and maintain the current MOT vehicle testing equipment since MAHA was awarded the contract in 2013. The Committee heard that there have been a number of extensions to the contract and MAHA will continue to provide the service to 2024. That is a period of 11 years at a cost of over £12 million. The Committee questioned how the DVA can be sure that it is getting value for money in the absence of competition. Witnesses assured the Committee that all the contracts are looked at from a value for money perspective, and procurement guidance is followed. The Committee heard that the new contract for equipment replacement, has been awarded to a different supplier following open competition. The new equipment provider will supply equipment to the new test centre at Hydebank and there will be a roll-out of its equipment once the MAHA contract expires.

There were weaknesses in the contract management process

36. The Committee requested sight of the legal advice received by the Department following the discovery of the cracks in the lifts. This was not provided to the Committee. Witnesses told the Committee that the legal advice had been carefully reviewed to see what options there were. The advice was that legal proceedings could be protracted, costly and would not guarantee a resolution. Given the impact of the disruption to services and the need to restore services as quickly as possible, the most cost-effective option, for the DVA, was to negotiate with the contractor for replacement of the lifts at a discounted price.

37. In the Committee's view the contract with MAHA was clearly weak as regards the inability to pursue remediation where performance was below the expected standard. Witnesses told the Committee that some of the clauses in the contract, including that in relation to contractor performance, have now been reviewed and strengthened.

An Action Plan is in place to address the issues raised

38. The Committee heard that an action plan was put in place in the aftermath of the lifts issue, to bring together all the recommendations arising from the reviews commissioned by the Minister for Infrastructure. In recognition of the seriousness of what happened, the action plan is subject to several layers of scrutiny including the Accounting Officer's and both the DVA and the Department for Infrastructure Audit and Risk Assurance Committee's. It is also reviewed by the Minister for Infrastructure and then published to ensure transparency. In addition, the Internal Auditors will review the evidence behind every action to ensure that everything is addressed. Witnesses also recognised that many of the issues discussed by the Committee, including the contract and health and safety, are not unique to the DVA, and therefore have been included in the Internal Audit programme for the whole Department. The Committee will continue to monitor progress on the action plan and seek updates from the Department.

The DVA continues to hold significant reserves and income lost due to the impact of Covid 19 has been fully reinstated

39. Witnesses heard that the financial position for the DVA is much improved and all fee income lost due to the impact of Covid 19 has now been covered through Covid 19 allocations from the Department of Finance. Witnesses set out how the cash reserves, in the region of £37.8 million, would be used to finance the build of Hydebank; replacement of vehicle testing equipment; ICT; and allow for working capital of approximately £6/7 million. Witnesses told the Committee that the loss of income and costs associated with the lift failures were financed by the DVA and were completely separate from the funding now secured to compensate for the loss of income arising from the impact of Covid 19. The Committee would ask the NIAO to verify this in the next audit of the DVA financial statements.

List of Appendices

Minutes of Proceedings can be viewed [here](#)

Minutes of Evidence can be viewed [here](#)

Correspondence can be viewed [here](#)

Other Documents relating to the report can be viewed [here](#)

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