

Report No. 43 of the Director of Audit — Chapter 7

MANAGEMENT OF THE GOVERNMENT VEHICLE FLEET

Summary

1. The Government Logistics Department (GLD) is responsible for the efficient and economical management and operation of the government vehicle fleet. The fleet had 6,777 vehicles in March 2004.

Monitoring the utilisation of vehicles

2. **Better use of utilisation data.** Following an enquiry by the Audit Commission (Audit), the GLD took action in May 2004 to make better use of its vehicle utilisation data to identify underutilised vehicles in various departments. It asked the departments concerned to critically review the use of the vehicles identified and to take necessary improvement measures. It planned to conduct similar exercises every six months and re-examine the utilisation of the vehicles in the next exercise in November 2004. *Given the potential savings involved, Audit has recommended that the Director of Government Logistics should consider taking prompt and more proactive follow-up action on the underutilised vehicles.*

Departmental transport reviews

3. **Number of reviews.** The GLD's departmental transport reviews are useful for identifying savings opportunities in the use of departmental transport resources. However, since 1993, the GLD has on average conducted less than one review a year, down from a yearly average of 3.6 previously. This could result in a loss of savings opportunities. *Audit has recommended that the Director of Government Logistics should consider conducting more departmental transport reviews, taking into account the cost/benefit of such reviews and resource availability.*

4. **Contract vehicles.** Contract vehicles are provided by contractors to works departments under their works contracts. Although such vehicles form part of the departmental vehicle fleets, the GLD has not always taken them into account in its departmental transport reviews on works departments. *Audit has recommended that the Director of Government Logistics should consider the need to include contract vehicles in the departmental transport reviews on works departments, having regard to the large number of such vehicles which are in use.*

5. **Areas for further economy.** While the three latest GLD departmental transport reviews had brought about considerable savings, Audit's recent examination of the records in the three departments concerned has identified possible areas for further economy in their use of transport resources. *Audit has recommended that the Director of Government Logistics and the three departments concerned should follow up the audit findings with a view to achieving further economy, and draw lessons from the audit findings for future reference.*

Vetting requests for additional and replacement vehicles

6. **New arrangement.** Under a new arrangement with effect from the 2002 Resource Allocation Exercise, the GLD is no longer required to submit the endorsed requests for additional and replacement vehicles to the Financial Services and the Treasury Bureau (FSTB) for examination. This procedural change could increase the risk of vehicles being procured without sufficient justifications because in previous exercises the FSTB rejected, with good reasons, a significant percentage of the requests for additional vehicles that the GLD had endorsed. *Audit has recommended that the Director of Government Logistics should require GLD officers to be more stringent in vetting departmental requests for additional and replacement vehicles.*

Maintenance costs of large saloon cars

7. **Review on large saloon cars.** Since the cancellation of the last tender exercise in 2001, the GLD has not conducted another exercise to procure large saloon cars, pending finalisation of a review on their procurement. Audit's analysis of the maintenance costs of large saloon cars as at 31 March 2004 suggests that those with very high maintenance costs may have already been used beyond their economic life. *Audit has recommended that the Director of Government Logistics, in conjunction with the Secretary for Financial Services and the Treasury, should expedite action to finalise their review on the procurement of large saloon cars.*

Transport pool

8. **Utilisation of pool vehicles.** The GLD's transport pool in March 2004 had four vehicles more than the optimal number of 55 determined by the GLD in February 2004. The overall utilisation rate of the pool vehicles in March 2004 was 68%. *Audit has recommended that the Director of Government Logistics should take action to reduce the size of the pool to the optimal number and closely monitor the utilisation of the pool vehicles.*

Response from the Administration

9. The Administration agrees with all the audit recommendations.

November 2004