



**Tasmanian**  
Audit Office



**Report of the Auditor-General  
No. 3 of 2014-15**

**Motor vehicle fleet management  
in government departments**



September 2014

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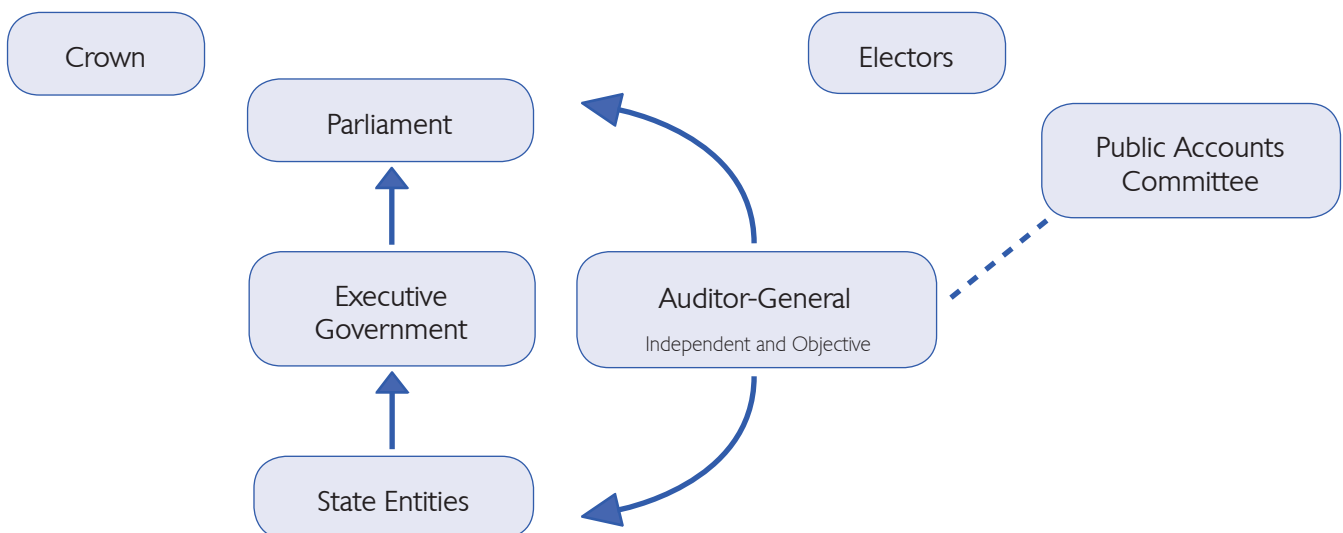
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The Auditor-General's role as Parliament's auditor is unique.





2014

PARLIAMENT OF TASMANIA

**REPORT OF THE  
AUDITOR-GENERAL  
No. 3 of 2014–15**

**Motor vehicle fleet management in  
government departments**

**September 2014**

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4 September 2014

President  
Legislative Council  
HOBART

Speaker  
House of Assembly  
HOBART

Dear Mr President  
Dear Madam Speaker

**REPORT OF THE AUDITOR-GENERAL**  
**No. 3 of 2014–15: Motor vehicle fleet management in government departments**

This report has been prepared consequent to examinations conducted under section 23 of the *Audit Act 2008*. The objectives of the audit were to determine whether the use of Government motor vehicle fleets was effective, efficient and complied with relevant policies and guidelines.

Yours sincerely

H M Blake  
**AUDITOR-GENERAL**



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## Foreword

Tasmanian government departments use a fleet of approximately 2 500 light passenger and commercial vehicles recorded on the balance sheet of Finance-General at about \$60m. This is a significant asset in the Tasmanian context. It is, therefore, essential that these vehicles are used efficiently and effectively the assessment of which were the first two components of this audit.

To assure efficiency and effectiveness, departments are required to comply with administrative policy on allocation and usage and with established fleet management arrangements. As a result, assessing compliance was the third component of our work.

Our audit also had regard to the former Premier's 2011 requirement that government departments reduce fleet costs with our expectation that, by the time of our audit, work would already have been done to rationalise motor vehicle numbers and costs.

While I concluded that motor vehicle fleets were being managed effectively, efficiently and in compliance with policies, I noted opportunities for improvement by varying fleet sizes, paying greater attention to exception reports, improving fuel usage and developing a more strategic approach to managing the fleet. Where relevant, the four departments involved in this audit are encouraged to implement related recommendations.

Departments, and other State entities, not selected for audit may also find this Report and its recommendations of benefit in ensuring they manage their vehicle fleets appropriately.

My thanks to all staff involved on this audit in particular those from the four departments we audited.

This audit will form the basis for a second audit of fleet management and associated functions planned for the next 12 months at Police, the State Fire Service and selected non-general government sector entities.

H M Blake

Auditor-General

4 September 2014



## **Executive summary**

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## Executive summary

### *Background*

#### Background

Tasmanian government departments use a fleet of approximately 2 500 light passenger and commercial vehicles. Government vehicles allocated for work-related purposes are the same as any other asset used to provide goods and services to the public. Their use is subject to considerations of efficiency, effectiveness and economy— as well as to appropriate standards of probity and accountability. Policy on motor vehicles is provided by two central government departments.

First is the Department of Premier and Cabinet (DPAC) that develops administrative policy on allocation and usage, much of which is contained in its *Policy and guidelines for the allocation and use of Tasmanian Government motor vehicles — Department of Premier and Cabinet*. That policy is an overarching document and DPAC expects that departments should develop their own business-specific internal procedures within that policy framework.

The other is the Department of Treasury and Finance (Treasury), which is responsible for managing the leasing contract (acquisition and disposals) and fleet management arrangements. Treasury requirements are contained in the *Government vehicle fleet management: fleet management handbook — Department of Treasury and Finance*.

Under current arrangements, rather than purchasing, government leases motor vehicles from a vehicle fleet provider, namely LeasePlan Australia Limited (LeasePlan). As part of its role, LeasePlan provides detailed motor vehicle reporting to enable departmental fleet managers to effectively control their respective fleets.

The objective of the audit was to determine whether the use of Government motor vehicle fleets was effective, efficient and complied with relevant policies and guidelines. We focused on selected government departments, namely:

- Premier and Cabinet — including the ministerial fleet — (DPAC)
- Justice (DoJ)

- Economic Development, Tourism and the Arts (DEDTA<sup>1</sup>)
- Primary Industries, Parks, Water and Environment (DPIPWE).

The audit concentrated on a two-year period that for operational matters covered the financial years 1 July 2011 to 30 June 2013.

### *Detailed audit conclusions*

The audit conclusions are based on criteria that we developed to support the audit's objective and are aligned to the chapter structure of the Report.

#### *Was fleet size matched to need?*

All departments had at least a reasonable match between fleet size and need and most had processes to assess whether need existed before leasing a new vehicle. However, there appeared to be scope for fleet reductions at DEDTA and DoJ and possible additions at DPIPWE.

#### *Were fleet costs minimised?*

We found evidence that maintenance costs and FBT liabilities were being minimised. However, there was scope to improve monitoring of fleet exception reports that could yield further economies. Also, fuel use of DPAC's fleet could possibly be reduced.

#### *Did fleet management comply with government policies?*

We found substantial compliance with government policies. No discrepancies were noted in respect of choice of motor vehicle, meeting of safety and greenhouse emission standards. We also found reasonable compliance in the areas of authorisation of use, identification of drivers and home garaging. One area of infrequent shortcomings was location and completeness of log books.

#### *Was there a strategic approach to fleet management?*

In no department was there persuasive evidence of a strategic approach to fleet management. While all departments had policies, KPIs had not been developed and regular reviews of fleet size were not performed.

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<sup>1</sup> DEDTA was merged into the new Department of State Growth from 1 July 2014. Throughout the report, we refer to the previous Department of Economic Development, Tourism and the Arts.

### Recommendations made

The Report contains the following recommendations:

Rec	Section	Applies to	We recommend that ...
1	1.2	DEDTA, DoJ	... DEDTA and DoJ consider reductions in motor vehicle numbers.
2	1.3	DPIPWE	... DPIPWE investigates whether: <ul style="list-style-type: none"> <li>• it can use its fleet more efficiently</li> <li>• additions to its fleet might allow for reductions in external hire, sufficient to lead to net savings.</li> </ul>
3	1.4	DPAC	... departments provide a zero-based rationale for any new G-plate vehicle, including where the leased vehicle is to replace an existing vehicle.
4	2.2	DEDTA, DoJ, DPAC	... departments effectively monitor anomalies flagged in fleet usage and exception reports.
5	2.3	All	... departments more effectively rotate motor vehicles to ensure more even use of vehicles.
6	2.5	DPAC	... departments ensure that driver training is provided where necessary to improve the fuel efficiency of its motor vehicle fleet.
7	3.5	All	... departments introduce mechanisms such as training and spot checks to ensure logbooks for G-plated motor vehicle are complete and accurate.
8	3.7	DoJ	... departments ensure that motor vehicle logbooks are properly stored to ensure they are retrievable at short notice.
9	4.2	DoJ	... procedures for authorisation and booking of cars be included in departmental fleet usage instructions.
10	4.3	All	... departments conduct regular zero-based reviews of fleet size in accordance with DPAC guidelines.
11	4.3	All	... departments consider introduction of arrangements for sharing of fleet cars with other Government departments to enable reductions in the size of department fleets.
12	4.4	All	... departments develop fleet management KPIs to drive improved efficiency.

**Audit Act 2008 section 30 — Submissions and comments received**

## Audit Act 2008 section 30 — Submissions and comments received

### *Introduction*

In accordance with section 30(2) of the *Audit Act 2008*, a copy of this Report was provided to the state entities indicated in the Introduction to this Report.

A summary of findings, with a request for submissions or comments, was also provided to the relevant portfolio Ministers and the Treasurer.

Submissions and comments that we receive are not subject to the audit nor the evidentiary standards required in reaching an audit conclusion. Responsibility for the accuracy, fairness and balance of these comments rests solely with those who provided the response. However, views expressed by agencies were considered in reaching audit conclusions.

Section 30(3) of the Act requires that this Report include any submissions or comments made under section 30(2) or a fair summary of them. Submissions received are included from Agency heads in full below.

### Former Department of Economic Development, Tourism and the Arts (now part of Department of State Growth)

Thank you for the opportunity for the former Department of Economic Development, Tourism and the Arts (DEDTA) to participate in the Motor vehicle fleet management in government departments audit.

As you would be aware from 1 July 2014, DEDTA and the Department of Infrastructure, Energy and Resources (DIER) transitioned to the Department of State Growth.

A review of the former DEDTA's, DIER's and Skills Tasmania fleet practices is underway with the aim of creating further operational efficiencies, ensuring the vehicle fleet is fit for purpose and minimising vehicle expenses. The former DIER and DEDTA fleet operations have seen significant fleet reductions of recent times and have adopted a number of practices that support the recommendations in the audit report. Other recommendations that are not, or only in part, implemented in



conjunction with the review, will be a valuable tool in developing fleet management policies and practices into the future.

***Kim Evans***

**Acting Secretary**

**Department of Justice**

The Department of Justice welcomes the audit of its vehicle fleet and acknowledges the overall findings. I am pleased to advise that, at the time of audit, the Department was already in the process of actioning a number of initiatives to further reduce the size of its fleet, including: the construction of a secure car parking facility at the Department's Rosny premises to remove the need to home garage vehicles for security purposes, and a pilot project to develop a car pooling system within the Hobart CBD incorporating various Departmental sites.

However, it should be noted that the Department has a number of vehicles which have a high usage, which isn't reflected by the number of kilometres completed. A number of vehicles may be in use all day (supervising prisoners or inspecting worksites), without being driven all day.

Also, the Department has a number of vehicles fitted out for specific uses, including transport of: drug detector dogs, prisoners with babies, specialist equipment and other larger capacity vehicles which are not to be used as pool cars to ensure they are available as and when required. The Department is also spread throughout various sites across Hobart and throughout the State, so in many cases it cannot utilise economies of scale with regard to pooling the use of its vehicles.

The Department will incorporate the review recommendations as far as is possible within its operational requirements and structure.

***Simon Overland***

**Secretary**

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**Department of Primary Industry, Parks, Water and Environment**

This Department welcomed the opportunity to participate in what was an extensive audit, designed to highlight opportunities for greater efficiency in the management, maintenance and general operation of the Government's motor vehicle fleet.

The department is committed to a process of continuous improvement in the management of its vehicle resources and consideration of the key recommendations contained in this report will be important in achieving this outcome.

***John Whittington***  
**Acting Secretary**

## **Introduction**

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## Introduction

### *Background*

Tasmanian government departments use a fleet of approximately 2 500 light passenger and commercial vehicles. Government vehicles allocated for work-related purposes are the same as any other asset used to provide goods and services to the public. Their use is subject to considerations of efficiency, effectiveness and economy — as well as to appropriate standards of probity and accountability. Policy on motor vehicles is provided by two central government departments.

First is the Department of Premier and Cabinet (DPAC) that develops administrative policy on allocation and usage, much of which is contained in its *Policy and guidelines for the allocation and use of Tasmanian Government motor vehicles — Department of Premier and Cabinet*. That policy is an overarching document and DPAC expects that departments should develop their own business-specific internal procedures within that policy framework.

The other is the Department of Treasury and Finance (Treasury), which is responsible for managing the leasing contract (i.e. acquisition and disposals) and fleet management arrangements. Treasury requirements are contained in the *Government vehicle fleet management: fleet management handbook — Department of Treasury and Finance*.

Under current arrangements, rather than purchasing, government leases motor vehicles from a vehicle fleet provider, namely LeasePlan Australia Limited (LeasePlan). As part of its role, LeasePlan provides detailed motor vehicle reporting to enable departmental fleet managers to effectively control their respective fleets.

In 2011, the Premier required government departments to reduce fleet costs and Treasury issued whole-of-government initiatives to ensure that those savings were achieved. In that context, our expectation was that work would already have been done to rationalise motor vehicle numbers and costs.

### *Audit objective*

The objectives of the audit were to determine whether the use of Government motor vehicle fleets was effective, efficient and compliant with relevant policies and guidelines.

### *Audit scope*

The audit focused on selected government departments, namely:

- Premier and Cabinet — including the ministerial fleet — (DPAC)
- Justice (DoJ)
- Economic Development, Tourism and the Arts (DEDTA<sup>2</sup>)
- Primary Industries, Parks, Water and Environment (DPIPWE).

The audit concentrated on a two-year period that for operational matters covered the financial years 1 July 2011 to 30 June 2013.

For fringe benefit tax (FBT) reporting, the audit's scope was from 1 April 2011 to 31 March 2013 (i.e. two FBT reporting years).

### *Audit criteria*

We developed a number of audit criteria, namely:

- Was there a match between fleet size and need?
- Were fleet costs minimised?
- Was fleet management compliant with Treasury and DPAC requirements?
- Were there clear and effectively promulgated policies and procedures?
- Did KPIs and related targets exist for efficiency and effectiveness?
- Was there regular monitoring of fleet management reports?
- Was FBT minimised?

### *Format of the report*

To make the report more useful for readers, we amalgamated some of the above audit criteria into logical groupings. This is reflected in the chapter structure that we used:

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<sup>2</sup> DEDTA was merged into the new Department of State Growth from 1 July 2014. Throughout the report, we refer to the previous Department of Economic Development, Tourism and the Arts.

Chapter 1	Was fleet size matched to need?
Chapter 2	Were fleet costs minimised?
Chapter 3	Did fleet management comply with government policies?
Chapter 4	Was there a strategic approach to fleet management?

#### *Audit approach*

In line with the preceding audit criteria, we sought appropriate audit evidence through:

- reviewing fleet manager's records
- examining motor vehicle log books
- reviewing business cases
- checking policies and guidelines
- interviewing staff.

#### *Timing*

Planning for this audit began in September 2013 with fieldwork continuing until June 2014. The report was finalised in August 2014.

#### *Resources*

The audit plan recommended 1 000 hours and a budget, excluding production costs, of \$151 964. Total hours were 1340 and actual costs, excluding production, were \$206 800 which exceeded our budget.

#### *Why this project was selected*

This audit was included in the *Annual Plan of Work 2012–13* because significant state funds are tied up in the fleet and in meeting day-to-day running costs.

## **1 Was fleet size matched to need?**

## 1 Was fleet size matched to need?

### 1.1 Background

The number and type of vehicles in a fleet should align with business needs. Surplus vehicles will generate excessive fleet costs while too few can lead to excess hire or operational needs not being met.

We examined whether departments had:

- too many motor vehicles
- bottlenecks in motor vehicle availability
- business cases for new (including replacement) motor vehicles.

### 1.2 Were there too many motor vehicles?

In Tasmania, LeasePlan's exception reports identify vehicles travelling less than 15 000 km per year as potentially under-used. Specific-use vehicles or vehicles in particular locations can be an exception to this benchmark where the vehicle is essential regardless of its annual usage. No equivalent benchmark existed for high usage. However, excessive usage could lead to increased use of externally sourced motor vehicles to offset non-availability of fleet units.

We tested motor vehicle usage against the 15 000 annual kilometre benchmark.

**Table 1: Potentially under used motor vehicles\***

Department	No of eligible MV	< 15 000 km pa	< 15 000 km pa (%)	Average annual km**
DEDTA	24	5	21%	18 835
DoJ	64	23	36%	18 626
DPAC	13	2	15%	35 595
DPIPWE	158	18	11%	22 984
<b>Average</b>	<b>259</b>	<b>48</b>	<b>19%</b>	<b>22 155 (weighted)</b>

\* To be eligible for this audit test, motor vehicles needed to be:

- G-plated or part of the ministerial fleet
- purchased prior to 1 January 2013
- still in service at 30 June 2013.



There appeared to be significant under use at all departments based on motor vehicles with less than 15 000 annual kilometres. During testing at DPIPWE, we noted that most of the low-use motor vehicles were specialised and were needed in their specific assignments regardless of the annual kilometres travelled<sup>3</sup>.

We also tested the log books of 40 motor vehicles across the four departments and noted significant percentages of 'business use' were actually commuting kilometres, that is, travel between work and home. If those commute percentages were netted off evenly across the respective fleets, the number of under used motor vehicles would be 65 rather than 48 (or 25 per cent).

In addition, we looked at average annual kilometres. The standard LeasePlan contract is for 3 years or 60,000 km and we concluded that 20 000 km was a reasonable annual average. Of the departments audited, only DoJ and DEDTA were below that target.

Looking at the agencies individually, we concluded as follows.

*DEDTA*

With an average usage below 20 000 km (18 835) and 21 per cent of motor vehicles less than 15 000 km, it was fairly likely that there was scope to reduce the size of the fleet.

*DoJ*

With an average usage below 20 000 km (18 626) and 36 per cent of motor vehicles less than 15 000 km, it was probable that there was scope to reduce the size of the fleet.

*DPAC*

With an average usage well above 20 000 km (35 595) and only two motor vehicles less than 15 000 km, there was little scope to reduce the size of the fleet.

*DPIPWE*

With an average usage above 20 000 km (22 984) and 11 per cent of motor vehicles less than 15 000 km — many of which were specialist units —there was little scope to reduce the size of the fleet.

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<sup>3</sup> Examples of specialised vehicles include fire trucks and off-road vehicles.

**Recommendation 1 (DEDTA and DoJ)**

**We recommend that DEDTA and DoJ consider reductions in motor vehicle numbers.**

**1.3** *Were there bottlenecks in motor vehicle availability?*

To determine whether bottlenecks existed, we reviewed annual kilometres travelled by motor vehicles and tested for excessive use of external hire (including taxis) and employees' own motor vehicles.

*DEDTA*

We found that:

- Average kilometres was a comfortable 18 835 for G-plates, with only four doing more than 25 000 annually.
- Annual cost of external hire was approximately \$12 000; similar to the cost of one additional motor vehicle. This was low compared to other departments audited.

We concluded that DEDTA did not have significant bottlenecks in motor vehicle availability.

*DoJ*

We found that the annual cost of external hire was approximately \$144 000; a high figure compared to DEDTA and DPAC.

However, we accepted DoJ's arguments that the comparison was not valid because it performed operations throughout the state and, in particular, that it had particular need of hire vehicles for court staff doing remote circuit court work.

We also noted that average kilometres was a comfortable 18 626 for G-plates, with only 11 of 61 doing more than 25 000 annually. In fact, we argued in Section 1.2 that with 36 per cent of motor vehicles doing less than 15 000 km, it was probable that there was scope to reduce the size of the fleet.

We concluded that DoJ did not have significant bottlenecks in motor vehicle availability.

*DPAC*

We found that average kilometres was 35 595 for G-plates and ministerial vehicles, with eight of thirteen doing more than 25 000 annually. However, annual cost of external hire was approximately \$16 000; similar to the cost of one additional motor vehicle. This was low compared to other departments audited.

We concluded that DPAC did not have significant bottlenecks in motor vehicle availability.

#### *DPIPWE*

The annual cost of external hire was approximately \$145 000; a high figure compared to DEDTA and DPAC. As with DoJ, we accepted that the comparison was not valid since DPIPWE has operations throughout the state, rather than being based in Hobart. Nonetheless, \$145 000 equates to 12 leased motor vehicles and is 4 per cent of the department's fleet cost.

We also noted that 56 of DPIPWE's 182 G-plated motor vehicles travelled more than 25 000 kilometres annually. On the other hand, the average annual kilometres (22 984) was not particularly high and may be an indication that there is a need for greater rotation of the fleet.

We concluded that DPIPWE may have an argument for an increase in its fleet in order to reduce bottlenecks, but that it should firstly attempt to use its existing fleet more efficiently.

#### **Recommendation 2 (DPIPWE)**

**We recommend that DPIPWE investigates whether:**

- **it can use its fleet more efficiently**
- **additions to its fleet might allow for reductions in external hire, sufficient to lead to net savings.**

#### *1.4 Were there business cases for new motor vehicles?*

Our expectation was that leasing of new vehicles, whether to meet new requirements or as replacements of previously leased vehicles, would be supported by a 'zero-based' rationale<sup>4</sup>. That rationale should include two elements, namely:

- projections of vehicle usage sufficient to justify the lease
- determination of the type of vehicle required, taking into account capital and operating costs.

We tested a sample of vehicles leased during 2013 and found that satisfactory rationales existed in all cases at each department. That included DPAC, which had only one new lease in the period. However, we noted comment from DPAC that DPAC does NOT provide a business case for each replacement

<sup>4</sup> By 'zero-based' rationale, we mean a rationale that is independent of any previous rationale for the motor-vehicle for the vehicle to be replaced.

vehicle. However, it does prepare a business case for additional new vehicles added to the fleet.

**Recommendation 3 ( DPAC)**

**We recommend that departments provide a zero-based rationale for any new G-plate vehicle, including where the leased vehicle is to replace an existing vehicle.**

**1.5** *Conclusion*

All departments had at least a reasonable match between fleet size and need. Most departments had processes to assess whether need existed before leasing a new vehicle. However, there appeared to be scope for fleet reductions at DEDTA and DoJ and possible additions at DPIPWE.

## **2 Were fleet costs minimised?**

## 2 Were fleet costs minimised?

### 2.1 *Background*

Government minimises the fixed cost of operating its motor vehicle fleet through collective leasing arrangements. However, variable costs (e.g. fuel, maintenance, FBT liabilities) can vary widely and need careful oversight. Accordingly, the audit criteria that follow in this Chapter examined the approach that the audited departments took to these matters:

- monitoring fleet management reports
- rotation of vehicles
- maintenance
- fuel usage
- FBT.

### 2.2 *Was there regular monitoring of fleet management reports?*

As part of LeasePlan's contract arrangements, it provides fleet management reports that outline overall operation and detail apparent anomalies, such as excessive fuel usage and underuse<sup>5</sup>. As part of the audit, we examined the extent to which departments monitored those reports and took follow up action. DPIPWE was able to provide evidence for the quarter that we requested. Responses varied for other audited departments, but were generally found unsatisfactory to some degree:

- DEDTA stated that monitoring was undertaken but evidence could not be provided due to time constraints and restructure of the department.
- DoJ was unable to provide evidence for the quarter that we requested, but did so for another quarter.
- DPAC stated that monitoring was undertaken but evidence could not be provided due to time constraints. During the audit, we noted limited evidence of response to monitoring reports, including one rotated motor vehicle.

Some examples of monitoring in relation to anomalies and how they were examined or treated by either fleet or business unit managers is shown in Table 2.

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<sup>5</sup> 'Dashboard — Usage and Exceptions Summaries' are produced quarterly to 'identify exceptions which may present opportunities to: maximise savings; minimise emissions; maximise usage; prevent fuel card abuse'.

**Table 2: Examples of monitoring exception reports at DPIPWE**

<b>Anomaly identified</b>	<b>Explanation</b>	<b>Solution or comment</b>
Incorrect odometers	Possible transcription error by driver or fuel seller.	There are a number of mechanisms in place to remind drivers that they are to provide odometer readings to fuel retailers. Monthly reports are distributed to Divisional Business Managers for them to manage the details provided.
Fuel fill exceeds tank capacity	Some motor vehicles have had long-range fuel tanks fitted.	The modified specification (to include long-range fuel tanks) cannot be updated for reporting purposes.
Under-utilised vehicles	Adverse weather conditions restricted travel (in the period tested). Also, the fleet has some special purpose vehicles.	Extend period during which performance is measured. Kilometre utilisation may not be the only measure of productivity.

**Recommendation 4 (DEDTA, DoJ and DPAC)**

**We recommend that departments effectively monitor anomalies flagged in fleet usage and exception reports.**

**2.3 *Rotation of vehicles***

Departments are required to manage the size of their vehicle fleet to achieve all possible efficiencies without compromising the delivery of agency outputs. One element is ensuring that fleets do not have either under- and over-used vehicles; the standard remedy is to rotate motor vehicles across regions or locations.

All audited departments advised that they attempted to rotate vehicles where a need was identified and it was practical to do so. However, only DPIPWE and DPAC provided evidence of vehicle swaps, and that evidence was minimal.

We also calculated standard deviations for G-plated fleet motor vehicles and compared results against maximum standard deviations (MSDs)<sup>6</sup>.<sup>7</sup> We considered that standard deviations less than 50 per cent of MSD represented evidence that effective rotation was occurring. Results are provided in Table 3.

**Table 3: Standard deviations of G-plated fleets**

Dep't	Average annual km	Standard deviation (km)	Standard deviation as proportion of MSD	Evidence of effective rotation?
DPIPWE	22 984	7 832	60%	✘
DoJ	18 626	9 804	100%	✘
DEDTA	18 835	6 109	69%	✘
DPAC	33 595	15 592	61%	✘

Based on the high standard deviations, we were not persuaded that any of the audited departments had effectively rotated fleet motor vehicles.

#### **Recommendation 5**

**We recommend that departments more effectively rotate motor vehicles to ensure more even use of vehicles.**

#### **2.4** *Were vehicles well maintained?*

We checked whether motor vehicles were being maintained in accordance with requirements set out in LeasePlan's reports. For all departments, and with few exceptions, we found fleet managers reviewed servicing records to a 60-day standard. We tested to a 30-day standard and found that motor vehicles were being serviced on schedule. When we followed up on motor vehicles with the longest delays in maintenance, we discovered that in almost all cases data input errors (e.g. date of service not recorded, incorrect odometer readings) had caused the apparent lapses.

<sup>6</sup> Standard deviation is a measure of the amount of variation or dispersion from the average. A low standard deviation indicates that the data points tend to be very close to the average; a high standard deviation indicates that the data points are spread out over a large range of values.

<sup>7</sup> Our calculation of MSD was based on the greatest variation that could be achieved based on a minimum annual usage of 10 000 km and an average for the fleet for the departments' motor vehicles.



We concluded that motor vehicles were being well maintained.

## 2.5 *Was fuel usage minimised?*

LeasePlan has profiles of the optimal fuel economy for all motor vehicles in government fleets.

Those profiles are based on manufacturer's specifications and do not take into account the conditions in which the motor vehicles are used. For example, usage could be in cities or on unmade roads which would result in poorer fuel economy.

**Table 4: Fuel use compared to manufacturer's standards**

Department	Total fleet*	No. that exceed standard by 20%		Average compared to standard for total fleet
DEDTA	61	6	10%	+1%
DoJ	178	13	7%	+6%
DPAC	79	20	26%	+14%
DPIPWE	252	36	14%	+5%

\*This number includes Ministerial, G- and privately plated motor vehicles. We included private vehicles for this test because we considered that the department still has a role to ensure fuel costs are not excessive.

In our view, the results for DEDTA, DoJ and DPIPWE were satisfactory given that the average excessive fuel consumption across their fleets was six per cent or less. The higher rate of excessive fuel usage at DPAC may be linked to the higher proportion of privately plated motor vehicles.

Actions recommended by Leaseplan include bringing the excess use to the attention of drivers and providing them with training. Such training could be used to improve fuel economy levels through a range of strategies such as allowing greater distances when trailing other vehicles to reduce need for breaking, accelerating more gently and maintaining optimum tyre pressures.

### **Recommendation 6 (DPAC)**

**We recommend that departments ensure that driver training is provided where necessary to improve the fuel efficiency of its motor vehicle fleet.**

## 2.6 *Was FBT liability minimised?*

A fringe benefit commonly arises where employers make a motor vehicle available for the private use of an employee. At the time of our audit, FBT was payable at the rate of 46.5 per

cent. In this Section, we examine whether departments were selecting the FBT calculation method that would minimise FBT paid.

Tax legislation allows for two methods of calculating motor vehicle FBT liability, namely<sup>8</sup>:

- statutory formula — based on the cost of the vehicle, a statutory percentage (according to the total annual kilometres travelled), the days the vehicle was available for private use divided by the days in the year (less any employee contribution)
- operating costs — calculated as a percentage of the total costs of operating the vehicle during the FBT year, according to the amount of private use. To determine the business and private use proportions, a logbook must be maintained.

To minimise their tax liability, businesses can elect to choose the cheaper method on a vehicle-by-vehicle basis. Our audit sought to determine whether the departments were consistently choosing the cheaper method.

We examined FBT calculations for each department. Based on that work, we were satisfied that all had applied a unit-by-unit approach to fleet FBT liabilities and had selected the cheaper alternative in each case.

## 2.7 Conclusion

We found evidence that maintenance costs and FBT liabilities were being minimised. However, there was scope to improve monitoring of fleet exception reports that could yield further economies. Also, fuel use of DPAC's fleet could possibly be reduced.

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<sup>8</sup> Commercial motor vehicles, such as vans, utilities, trucks etc., usually fall outside of FBT, provided that private use is restricted, e.g. travel to and from work or non-work-related use must be minor, infrequent and irregular. Where private use exceeds those parameters, a residual FBT liability arises and a cost-per-kilometre tax applies.

### 3 Did fleet management comply with government policies?

## 3 Did fleet management comply with government policies?

### 3.1 Background

As outlined in the Introduction, DPAC and Treasury have issued motor vehicle policies and guidelines. We examined the audited departments to determine whether the following aspects of fleet management complied with those policies:

- choice of motor vehicle
- greenhouse emissions
- safety standards
- authorised use
- driver identification
- home garaging.

Our findings identified in relation to policies and guidelines of these respective departments are contained in the following subsections:

### 3.2 Was the choice of vehicles compliant?

Treasurer's Instruction 1112 (*Common use / Whole-of-government contracts and other arrangements: goods and services*) states that management of the Government's motor vehicle fleet should be done in conformity with the F200 contract<sup>9</sup>. That contract identifies lists of motor vehicles available for lease.

We checked a sample of motor vehicles from each audited department and found that all motor vehicle acquisitions complied with the F200 contract.

### 3.3 Did greenhouse emissions comply with guidelines?

DPAC motor vehicle guidelines state that<sup>10</sup>:

- 2.2.1 The Australian Greenhouse Office, through its Green Vehicle Guide ([www.greenvehicleguide.gov.au](http://www.greenvehicleguide.gov.au)), maintains a system of rating cars based on factors such as fuel consumption and the level of CO<sup>2</sup> emissions.

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<sup>9</sup> That contract is: *Provision of management of the Government's light passenger vehicle fleet including the purchase and disposal processes*.

<sup>10</sup> *Policy and Guidelines for the Allocation and Use of Motor Vehicles within the State Service*, Department of Premier and Cabinet, Effective July 2009 (amended August 2013)

2.2.2 All Tasmanian Government passenger vehicles (including those provided as part of remuneration packages) must have a minimum Green Vehicle Guide greenhouse rating of 5.5. Light commercial and 4WD vehicles, required for operational purposes, must have a minimum rating of 3.5.

In practice, fleet managers ensure compliance by leasing motor vehicles in accordance with the F200 contract.

We checked a sample of motor vehicles from each audited department and found that all motor vehicles were compliant.

### 3.4 *Did vehicle safety standards comply?*

In relation to safety, the abovementioned DPAC motor vehicle guidelines stipulate that:

2.1.1 As a general rule all Tasmanian Government vehicles must conform with at least a five-star Australian New Car Assessment Program (ANCAP) safety rating or at least comply with the mandatory safety features listed in Attachment A of that document. It is anticipated that the optional safety features specified in Attachment A will become minimum safety standards by the mandatory dates shown.

2.1.2 Vehicles that do not meet the minimum five-star ANCAP safety rating or the mandatory safety features are not available for allocation to a State service agency unless there is no complying vehicle that can meet a specific operational need of the agency.

In practice, fleet managers ensure compliance by leasing motor vehicles in accordance with the F200 contract.

We checked a sample of motor vehicles from each audited department for three specific safety features (namely ABS [anti-lock braking system], traction control and airbags) and found that all motor vehicles tested had those features.

### 3.5 *Was usage subject to authorisation?*

Various aspects controlling the use of government motor vehicles are covered in the DPAC guidelines. DPAC has suggested that departments may develop more detailed in-house guidelines and mentions record keeping by vehicle users as a possible matter for inclusion (see Section 4.2).

To ascertain whether records existed to evidence the proper use of G-plated motor vehicles, we conducted a sample test of logbooks at each of the audited departments for the month of March in 2013. We expected to see an unbroken record of odometer readings so that each vehicle movement would be adequately accounted for.

At each department, we found examples where logbooks contained incomplete entries. We found that 20–30 per cent of logbooks contained omissions. However, when viewed in the light of total kilometres travelled in the month, the incomplete entries were infrequent and represented between 0.17 and 1.3 per cent of monthly travel. Nevertheless, we believe that the shortcomings indicated that more attention needed to be paid to logbook entries.

**Recommendation 7**

**We recommend that departments introduce mechanisms such as training and spot checks to ensure logbooks for G-plated motor vehicle are complete and accurate.**

**3.6** *Were driver identification records kept?*

An implication of incomplete logbook entries is that it may not be possible to identify the driver of a motor vehicle at a particular time. DPAC has recognised the importance of this requirement, stating that, ‘Agencies must keep adequate records to enable them to identify who was driving any government vehicle at a particular point in time’.

Where a traffic offence has occurred, a motor vehicle is otherwise damaged or a complaint is received in relation to bad driving, it is essential to know who was responsible for payment of fines, disciplinary action or to seek a financial contribution towards repair costs in case of negligence.

As indicated by the gaps that we found in reviewing logbook entries (see Section 3.5), it was not always possible to determine who was driving a government motor vehicle at a point in time. Accordingly, we restate Recommendation 7:

We recommend that departments introduce mechanisms such as training and spot checks to ensure logbooks for G-plated motor vehicle are complete and accurate.

**3.7** *Was home garaging of vehicles in accordance with policy?*

It is government policy that motor vehicles may only be garaged at an employee’s home with an adequate level of approval. An instance where home garaging is permitted occurs when employees need to make an early start to a distant work location the next day.

We confirmed approval of overnight garaging during the testing that we conducted to check authorisation of use (see Section 3.5). However, two logbooks that we requested at DoJ could not be produced. On that basis, we were unable to confirm that home garaging at DoJ was always in accordance with policy.

**Recommendation 8 (DoJ)**

**We recommend that departments ensure that motor vehicle logbooks are properly stored to ensure they are retrievable at short notice.**

**3.8** *Conclusion*

We found substantial compliance with government policies. No discrepancies were noted in respect of choice of motor vehicle, meeting of safety and greenhouse emission standards. We also found reasonable compliance in the areas of authorisation of use, identification of drivers and home garaging. One area of infrequent shortcomings was location and completeness of log books.





#### 4 Was there a strategic approach to fleet management?

## 4 Was there a strategic approach to fleet management?

### 4.1 *Background*

In this Chapter, we review matters related to the strategic management of fleets, including whether:

- clear and well-promulgated policies existed
- fleet size was subject to regular review
- KPIs had been developed to measure and motivate efficiency and effectiveness.

### 4.2 *Were there clear and well-promulgated policies?*

DPAC's *Policy and Guidelines for the Allocation and Use of Motor Vehicles within the State Service* provides a framework only and in most agencies it needs to be supplemented by additional guidelines developed to meet agency-specific operational circumstances.

We found that all audited departments had agency-specific policies. We also tested whether the policies included clear and useful content in areas we considered relevant including:

- authorisation and booking of cars
- private use
- home garaging
- fuel use
- log book use ('vehicle running return book')
- traffic offences ('fines and penalties').

The only exception noted was that DoJ policies did not cover authorisation and booking of motor vehicles.

#### **Recommendation 9 (DoJ)**

**We recommend that procedures for authorisation and booking of motor vehicles be included in departmental fleet usage instructions.**

### 4.3 *Was the fleet size subject to regular review?*

DPAC guidelines stated that:

Heads of Agency must keep their agency's total requirement for vehicles under regular review to ensure efficient and effective resource use.

The Government requires agencies to manage the size of their vehicle fleet to achieve all possible efficiencies without compromising the delivery of agency outputs.

We found no evidence that any of the departments were performing a regular zero-based review of their fleet size. On the other hand, in response to the Premier's June 2011 requirement for fleet savings, all departments complied and by December 2012 had made the following reductions to their January 2011 levels:

- DEDTA — 9 vehicles (13 per cent of fleet)
- DoJ — 15 vehicles (8 per cent)
- DPAC — 10 vehicles (11 per cent)
- DPIPWE — 31 vehicles (10 per cent).

In Section 1.4 of this Report, we discussed the existence of rationales to replace existing motor vehicles or obtain new ones. We also discuss monitoring of LeasePlan exception reports in section 2.2. Nonetheless, in our view neither those activities nor the one-off response to the Premier's call for savings satisfied the DPAC guideline.

We also believe it likely that efficiencies may result from a whole-of-Government approach that facilitates sharing of pool cars between departments.

**Recommendation 10**

**We recommend that departments conduct regular zero-based reviews of fleet size in accordance with DPAC guidelines.**

**Recommendation 11**

**We recommend that departments consider introduction of arrangements for sharing of fleet cars with other Government departments to enable reductions in the size of department fleets.**

**4.4** *Did KPIs exist to measure and motivate efficiency and effectiveness?*

Fleet management reports provide useful data for departments to recognise and act on exceptions such as underused vehicles or vehicles with high fuel usage. However, they identify individual exceptions rather than providing KPIs that assess performance of the whole fleet. Possible KPIs might include:

- average fuel economy per motor vehicle

- average cost per motor vehicle
- average kilometres travelled per motor vehicle
- motor vehicle costs per FTE
- departmental external hire as a percentage of fleet costs.

Such KPIs would drive improvements across the whole fleet rather than just identifying and acting on problems with individual motor vehicles or their drivers.

We found KPIs had not been developed for DEDTA, DoJ and DPIPWE. DPAC used two KPIs (vehicles serviced on time, vehicles ordered on time). However, we considered that efficiency of the DPAC fleet could benefit from more performance-oriented KPIs.

**Recommendation 12**

**We recommend that departments develop fleet management KPIs to drive improved efficiency.**

**4.5** *Conclusion*

In no department was there persuasive evidence of a strategic approach to fleet management. While all departments had policies, KPIs had not been developed and regular reviews of fleet size were not performed.

## **Independent auditor's conclusion**

## Independent auditor's conclusion

This independent conclusion is addressed to the President of the Legislative Council and to the Speaker of the House of Assembly. It relates to my performance audit assessing how well selected government departments managed their motor vehicle fleets.

### *Audit objective*

The objectives of the audit were to determine whether the use of Government motor vehicle fleets was effective, efficient and compliant with relevant policies and guidelines.

### *Audit scope*

The audit focused on selected government departments, namely:

- Premier and Cabinet (including the ministerial fleet)
- Justice
- Economic Development, Tourism and the Arts<sup>11</sup>
- Primary Industries, Parks, Water and Environment.

The audit concentrated on a two-year period that for operational matters covered the financial years 1 July 2011 to 30 June 2013.

For fringe benefit tax (FBT) reporting, the audit's scope was from 1 April 2011 to 31 March 2013 (i.e. two FBT reporting years).

### *Responsibility of the four Secretaries*

The Secretaries of the four departments selected for audit are responsible for implementing processes to ensure effective, efficient and compliant processes exist and are implemented regarding the use of Government motor vehicle fleets.

### *Auditor-General's responsibility*

In the context of this performance audit, my responsibility was to express a conclusion on the effectiveness, efficiency and compliance of the use of Government motor vehicle fleets by the four departments selected for audit.

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<sup>11</sup> DEDTA was merged into the new Department of State Growth from 1 July 2014. Throughout the report, we refer to the previous Department of Economic Development, Tourism and the Arts.

I conducted my audit in accordance with Australian Auditing Standard ASAE 3500 *Performance engagements*, which required me to comply with relevant ethical requirements relating to audit engagements. I planned and performed the audit to obtain reasonable assurance that the Secretaries had implemented effective, efficient and compliant processes.

My work involved, in line with the audit criteria documented on Page 9, seeking appropriate audit evidence through:

- reviewing fleet manager's records
- examining motor vehicle log books
- reviewing business cases
- checking policies and guidelines
- interviewing staff.

I believe that the evidence I obtained was sufficient and appropriate to provide a basis for my conclusion.

*Auditor-General's conclusion*

Based on the audit objective and scope and for reasons outlined in this Report, it is my conclusion that, in all material respects:

- Motor vehicle fleets were being managed effectively and efficiently.
- There was compliance with government policies.

However, to improve efficiency and effectiveness, it is my conclusion that there is scope to:

- vary fleet sizes in at least two departments
- improve monitoring of fleet exception reports and that doing so could yield further economies
- improve fuel use of DPAC's fleet
- develop a strategic approach to fleet management.

My report contains 12 recommendations aimed at addressing my conclusions.

H M Blake  
Auditor-General  
4 September 2014





## **Recent reports**

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## Recent reports

<b>Tabled</b>	<b>No.</b>	<b>Title</b>
May	No. 11 of 2012-13	Volume 5 — Other State entities 30 June 2012 and 31 December 2012
Aug	No. 1 of 2013-14	Fraud control in local government
Nov	No.2 of 2013-14	Volume 1 — Executive and Legislature, Government Departments, Tasmanian Health Organisations, other General Government Sector State entities, Other State entities and Superannuation Funds
Nov	No.3 of 2013-14	Volume 2 — Government Businesses, Other Public Non-Financial Corporations and Water Corporations
Dec	No.4 of 2013-14	Volume 3 — Local Government Authorities
Dec	No.5 of 2013-14	Infrastructure Financial Accounting in Local Government
Jan	No. 6 of 2013-14	Redevelopment of the Royal Hobart Hospital: governance and project management
Feb	No. 7 of 2013-14	Police responses to serious crime
Feb	No. 8 of 2013-14	Analysis of the Treasurer's Annual Financial Report 2012-13
May	No.9 of 2013-14	Volume 5 — State entities 30 June and 31 December 2013, matters relating to 2012-13 audits and key performance indicators
May	No.10 of 2013-14	Government radio communications
May	No.11 of 2013-14	Compliance with the Alcohol, Tobacco and Other Drugs Plan 2008-13
June	No.12 of 2013-14	Quality of Metro services
June	No. 13 of 2013-14	Teaching quality in public high schools
Aug	No. 1 of 2014-15	Recruitment practices in the Tasmanian State Service
Sep	No. 2 of 2014-15	Follow up of selected Auditor-General reports: Oct 2009 to Sep 2011

## **Current projects**

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## Current projects

The table below contains details performance and compliance audits that the Auditor-General is currently conducting and relates them to the *Annual Plan of Work 2014–15* that is available on our website. Items marked with an asterisk (\*) were underway as at 27 June 2014.

<b>Title</b>	<b>Audit objective is to ...</b>	<b><i>Annual Plan of Work 2014–15</i> reference</b>
<b>Motor vehicle fleet usage and management</b>	... review the efficiency and effectiveness of the use of motor vehicles, and testing compliance with applicable guidelines by: government businesses, University of Tasmania and the Retirement Benefits Fund. In addition, it will include the management of vehicle workshops.	Page 20 Topic No. 5
<b>Security of Information and Communications Technology (ICT) infrastructure</b>	... assess the effectiveness of security measures for ICT infrastructure and its functionality.	Page 18, Topic No. 5*
<b>Capital works programming and management</b>	... examine the effectiveness of Treasury's capital works budgeting processes.	Page 18 Topic No. 6*
<b>Collection management</b>	... express an opinion on the Tasmanian Museum's and Art Gallery's compliance against the National Standards for Australian Museums and Galleries	Page 18 Topic No. 1
<b>Management of local government roads</b>	... assess local governments' management of roads with emphasis on maintenance, decision-making on new roads and the level of administration costs that underpin road construction.	Page 20 Topic No. 6
<b>Absenteeism and management of workers compensation arrangements</b>	... reviews how well departments are managing absenteeism and their workers compensation responsibilities	Page 27 Topic No. 1

## AUDIT MANDATE AND STANDARDS APPLIED

### Mandate

Section 17(1) of the *Audit Act 2008* states that:

‘An accountable authority other than the Auditor-General, as soon as possible and within 45 days after the end of each financial year, is to prepare and forward to the Auditor-General a copy of the financial statements for that financial year which are complete in all material respects.’

Under the provisions of section 18, the Auditor-General:

- (1) is to audit the financial statements and any other information submitted by a State entity or an audited subsidiary of a State entity under section 17(1).’

Under the provisions of section 19, the Auditor-General:

- (1) is to prepare and sign an opinion on an audit carried out under section 18(1) in accordance with requirements determined by the Australian Auditing and Assurance Standards
- (2) is to provide the opinion prepared and signed under subsection (1), and any formal communication of audit findings that is required to be prepared in accordance with the Australian Auditing and Assurance Standards, to the State entity’s appropriate Minister and provide a copy to the relevant accountable authority.’

### Standards Applied

Section 31 specifies that:

‘The Auditor-General is to perform the audits required by this or any other Act in such a manner as the Auditor-General thinks fit having regard to –

- (a) the character and effectiveness of the internal control and internal audit of the relevant State entity or audited subsidiary of a State entity; and
- (b) the Australian Auditing and Assurance Standards.’

The auditing standards referred to are Australian Auditing Standards as issued by the Australian Auditing and Assurance Standards Board.



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