

Report by the Comptroller and Auditor General to the Northern Ireland Assembly

Driver and Vehicle Agency 2019-20

Introduction

1. There are currently 15 MOT centres in Northern Ireland which carry out approximately one million tests on the road worthiness of vehicles each year. Scissor lifts are fundamental in MOT testing as they are used to check the under body of vehicles. In late January 2020 most vehicle testing services were suspended for safety reasons, following faults identified in the scissor lifts.
2. This report summarises the issues arising and the financial impact on the 2019-20 financial statements. In addition, it highlights the ongoing financial impact of the COVID 19 pandemic on DVA.

There was an ongoing maintenance and inspection regime

3. The lifts within the MOT centres are owned by 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.
4. MAHA developed a Planned and Preventative Maintenance schedule which consists of two maintenance programmes which run on a rolling basis over a twelve month period. The first is an eight weekly minor routine maintenance programme and the second is a six monthly major routine maintenance programme. Both programmes include maintenance of the lifts. In addition, the Lifting Operations and Lifting Equipment Regulations (NI) 1999 require that a Thorough Examination Inspection (TE Inspection) is to be carried out regularly (at least every six months). Under the maintenance contract MAHA are required to arrange the TE inspections on behalf of DVA.
5. MAHA engaged an independent body (HSB engineering insurance) to carry out the TE inspections. If a defect is identified during these inspections they are to be classed as either:
 - Category A (a defect which is a danger, this should result in the immediate cessation of use of the equipment);
 - Or Category B (a defect which is not yet but could subsequently become a danger. The Inspector should specify the time by which the fault could become a danger and the actions required to remedy it).
6. Given the ongoing maintenance and inspection regime DVA did not expect so many serious defects to arise in such a short period of time. The timeline of events leading to the suspension of MOT services is shown in **Figure 1**.

Figure 1: Timeline of events leading to suspension of MOT services

- TE inspections on 35 lifts during the period July 2019- October 2019, identified no cracks and no category A or B issues.
- On 6 November 2019 a crack was identified on two scissor lifts in Larne test centre during a TE inspection. These were identified as category B cracks and were to be repaired by 27 November 2019. These repairs were not completed and the lifts were taken out of service.
- TE inspections continued on the remaining lifts and cracks were identified within a further 14 lifts. Only one was categorised as category B and no category rating was allocated to the other thirteen lifts.
- On 3 January 2020 DVA asked MAHA to urgently complete a lift condition survey of all test centres. During these inspections a category A crack was identified within a lift in Boucher Road and the lift was taken out of service immediately.
- On 14 January 2020 MAHA advised DVA that various degrees of cracks had been identified in 51 of the 55 lifts. MAHA proposed a welding repair programme which was to be completed from 17 – 24 January 2020, after which the lifts would be subsequently re-inspected.
- Concerns were raised by the health and safety manager of DVA of the continuing use of lifts and on 22 January DVA senior management made the decision to withdraw any lift from service that had not been subject to a repair and further TE inspection.
- On 24 January 2020, HSB advised DVA that the quality of the weld repairs observed through the TE re-inspections “were poor and highly concerning”.
- On 27 January, HSB stated that they could not provide assurance that the lifts were safe to use. On the same day DVA suspended the use of all 55 lifts.

Following the decision to suspend the use of the lifts the majority of MOT for cars and light vehicles were cancelled

7. Temporary exemption certificates for four months were issued for cars over five years old; three month temporary exemption certificates for light goods vehicles; and priority for testing was given to taxis, four year old cars and car dealerships, who could not avail of the exemption certificates due to constraints in legislation. Heavy goods vehicles and buses were not affected as the under body inspection of these vehicles are conducted using inspection pits. MOT centres were able to use the heavy goods vehicles inspection pits to test the four year old cars, taxis and car dealerships. DVA commissioned an independent company to complete TE inspections of three existing lifts which were then put back into service and two new lifts were also installed.
8. Temporary exemption certificates were subsequently extended for all eligible vehicles due to the restrictions arising from the COVID 19 pandemic. This provided cover for one year from the normal MOT expiry date in 2020 until the date the vehicle is due to be tested in 2021.

Independent reviews were commissioned by the Minister for Infrastructure

9. In January 2020 the Minister for Infrastructure commissioned two independent reviews¹. 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 Audit Service and focussed on the timeline of events which led to the 55 lifts being taken out of operation.

The DVA lifts had exceeded their design load cycles

10. The independent engineers report concluded that the defects were a result of fatigue and that the lifts had exceeded their design load cycles. The DVA lifts undertake approximately 20,000 lifting cycles annually which equates to approximately 150,000 – 160,000 in total since installation. The operating instructions state that the designed life of a standard lift is 22,000 cycles. The lifts do have a possible product life expectancy greater than a total of 22,000 load cycles, however it is subject to annual evaluation. It is also noted that the DVA lifts are non –standard due to the addition of shaker plates but it was not clear what impact that would have on the product life expectancy.
11. The report recommended that all lifts exhibiting signs of fatigue should be replaced not repaired. It also made a number of recommendations to strengthen the future maintenance and inspection of the lifts. In addition, it recommended that cycle counters are added to all lifts, and that an estimated product life expectancy is provided for new lifts, given as an estimated total number of load cycles based on the average load lifted. This will allow the number of cycles to be monitored and allow a lift replacement schedule to be developed. MAHA have since advised DVA that it would expect the lifecycle of a lift to achieve or exceed 4 times the number of 22,000 full load cycles it has been designed for.

DVA did not anticipate that a major refresh of lifts would be necessary

¹ The Investigation Report into Vehicle Lift faults within DVA MOT Test Centres can be found on the [Department for Infrastructure website](#).

12. The Internal Audit investigation confirmed that the maintenance and inspection regime outlined at paragraphs 3 - 6 had been in place. It also noted that there is a robust process in place within DVA to log and report faults and subsequently repair vehicle testing equipment, including lifts.
13. The Internal Audit report also makes reference to the ongoing Business Transformation Programme within DVA which involves the replacement of current vehicle testing equipment, including lifts. A contract for provision of new Test Centre equipment has been awarded to a new supplier and it is planned that the new equipment will be installed from 2022. As part of the strategy to move to the new arrangements, DVA had considered both the age and the level of usage of the existing vehicle testing equipment. It accepted that there may be a need to replace or refresh the current equipment in the future but the intention was to only replace any lift that had reached its absolute life end. As a result, DVA had not developed a plan to undertake a major refresh programme of lifts. However, Internal Audit found that DVA had not determined the projected absolute life end for the lifts.
14. 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. 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.
15. Following the investigation, DVA advised that it had placed a reliance on MAHA to provide expert advice on the condition and associated replacement programme for individual vehicle lifts. DVA also stated that it was not possible to determine the absolute life cycle of each vehicle lift as it is determined by a number of factors including load distribution; vehicle weight; and number of lift cycles. It is however possible to estimate a theoretical lift replacement cycle and this was not done.

Independent advice was sought to establish the best way forward

16. DVA engaged with MAHA in an effort to understand how the situation had arisen so rapidly despite all the lifts within DVA test centres having been subject to a regular inspection and maintenance. Legal advice was also sought. It advised that legal proceedings could be protracted, costly and would not guarantee a resolution for the public.
17. Construction & Procurement Delivery (CPD) in the Department of Finance provided independent advice on the purchase of the lifts. The advice from CPD was that the quickest way to install the new lifts was to use the existing contract. To use another supplier would significantly delay the installation of new lifts. DVA entered into negotiations with MAHA for the replacement of 52 lifts, securing a commitment to fast track production of the lifts and a discount from the original quotation.

Financial impact on the 2019-20 financial statements

18. MOT fees for cancelled tests were refunded. Customers who had a test cancelled, which had been booked for the period 21 January to 26 February 2020, received compensation of half the test fee. 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.

19. The affected lifts had already been fully depreciated in prior years but had been re-lifted to a nominal value of £1 each. As the lifts had a minimal opening value there was no significant write off required and no impairment to be reflected in the financial statements.
20. 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 (see **Figure 2**). The loss of fee income from MOTs and the compensation due to cancelled MOTs contributed to this loss. I note the deficit position was also impacted a number of other factors including a backdated holiday provision for some staff, an increase in employer pension contributions, the cost of replacing IT systems in year and overtime costs in relation to a backlog of MOT tests earlier in the year.

Figure 2: Comparison of financial position between 2018-19 and 2019-20

	2019-20 £000	2018-19 £000
(Surplus)/Deficit	2,146	(5,453)
Retained Earnings	35,908	37,853

21. The replacement of the 52 lifts has cost £1.8 million. It has been reflected within capital commitments (Note 17) in the 2019-20 financial statements and has been financed from DVA retained earnings during the 2020-21 financial year.

Financial position in 2020-21

22. As DVA is primarily funded through fees collected for all of its services to the public, COVID 19 has had a major impact on its financial position in 2020-21. DVA suspended many of its services and handed over the use of Belfast, Newtownards and Craigavon test centres as COVID 19 testing centres to the Department of Health. These test centres have now been handed back to DVA and new lifts have been installed at all sites. All DVA test centres are now available for both vehicle and driver testing services.
23. Whilst services are now being resumed, capacity will be reduced due to public health requirements. DVA's current projections assume that there will be a gradual transition in the resumption of services during 2020-21 but it is unlikely that there will be a full resumption of some services in year given the restrictions necessary to ensure current public health guidance is adhered to.
24. To date, DVA has secured the following funding allocations from DfI to address the impact of COVID 19:
 - £10 million of capital funding for the build of a new test centre and depot at Hydebank which has released £10 million of cash reserves previously accumulated for capital investment to fund operational spend;

- £7.3 million of COVID 19 resource funding allocation to address some of the loss of income; and
- £1.4 million of COVID 19 resource funding for the Taxi & Bus Regulatory Support Package.

25. Taking these allocations and revised projections for fee income into account, a bid has been put forward for a further £11 million to address the estimated remaining loss of income. It is expected that the DVA Trading Fund will be in deficit for the 2020-21 financial year in the region of up to £21 million if additional funding is not secured.

An action plan is in place to address the issues raised

26. DVA devised an action plan to address the issues identified by both reviews. As requested by DVA's Accounting Officer, the DVA Audit Committee is overseeing the implementation of the actions set out in the action plan to ensure they are implemented in a timely manner. Regular progress updates are being provided to the Audit Committee and also to the Minister and the Department for Infrastructure. I note that 18 of the 23 recommendations relating to the lifts issue have now been completed.

Conclusion

27. The suspension of MOT tests due to the faults in the lifts caused significant disruption to the public and substantial loss of income for DVA. Whilst I note that similar and unforeseen problems with the same make and model of lift were experienced in other countries, I find it very surprising that DVA had not projected the end life of the lifts and did not have a replacement plan in place. Substantial reserves have been built up over the years and as such DVA was in a position to finance the replacement lifts. It is important that lessons must be learned from this and the action plan must be regularly reviewed and progress closely scrutinised.

28. I will keep the implementation of the remaining recommendations in the action plan under review. In addition I will continue to closely monitor the financial position of DVA in the months ahead.



*KJ Donnelly CB
Comptroller and Auditor General
Northern Ireland Audit Office
106 University Street
Belfast
BT7 1EU*

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