



Il-Ministru

The Minister

2nd June 2010

Mr Mark Portelli

Chairman

Transport Malta

Mr Chairman,

Investigation into allegations of irregularities at the Licensing & Testing Office

Reference is being made to the report drawn up by PricewaterhouseCoopers ('PwC') on 'Investigation into allegations of irregularities concerning road and driver licensing and vehicle roadworthiness testing' dated 25 May 2010, a copy of which was sent to me yesterday by your CEO.

I have taken note of the actions proposed to be taken by the CEO in his letter to me of yesterday. I endorse all recommended action but further direct that:

1. the Authority should immediately suspend all employees against whom disciplinary action is to be taken and ensure that the disciplinary process is dealt with expeditiously in line with Collective Agreement procedures;
2. all other recommendations made by PwC in their report are taken up by the Authority. I especially support their view that "particular focus is given to issues assigned a high-priority status", particularly considering the fact that a number of the administrative weaknesses that led to the findings of this report had been already identified in previous audits and, as the auditors point out are being "followed up [by TM] to ensure remedial action is taken for the weaknesses identified";

3. the review that is being undertaken with MITA to tighten up present computer processes is accelerated;
4. the Authority should intensify the process that has started months ago aimed at turning all manual processes into computer driven processes thus minimising the interactions between front office staff and customers and enabling customers to carry through processes on their own;
5. I support your view that any doubt about the eligibility of license holders must be cleared and confirmed whether by evidence of past eligibility or the conduct of a new test. In view of this you are directed to ensure that inclusions not reviewed by this audit (inclusions up to December 2005 for which first licence was issued before 2001; inclusions flagged as pertaining to Gozo licences; licences from before 1991; and exchanges of foreign licences) are also re-assessed in good time to confirm eligibility;
6. I would also like to be informed of the outcome of your review of an incident reported in by the auditors (in 3.2.2) of an individual who was issued with a licence even though she failed the practical test;
7. Furthermore you are directed to investigate further the observation on high volumes of VRT tests sustained by a small number of VRT stations whose record of activity is considerably above average to verify that all tests are being conducted according to law.

I expect the Authority to send me a report detailing the actions it has taken in all these regards and the results obtained by not later than the end of July 2010.

The findings of the report are of deep concern to me. While I note that disciplinary action will be undertaken against personnel identified by the report as being involved, it seems clear to me that the environment at the front office was, and presumably remains, conducive to permit these irregularities to occur. Whilst the said report rightly focuses on only a number of the internal procedures of the Licensing and Testing Section of the Road Transport Directorate, it is obvious to me - both from the report itself as well as how I have seen this section function in the last two years - that processes and procedures remain informal and rely excessively on the initiative of staff rather than on objective decision making criteria which are then made public where necessary.

This section handles some 40,000 transactions yearly for a value of some €100 million. It is more akin to a major bank branch than a Government department and although there is an increased use of computer processes it is undeniable that much stricter processes and controls are required as part of the daily routine. Transport Malta needs to react to this by considering this section more akin to a bank than to a normal public service department.

I understand that the Authority is completing the exercise I had requested to draw up written procedures that attempt to predict to the fullest extent possible all administrative decisions that are normally taken at the Authority's licensing offices. This documentation is to include

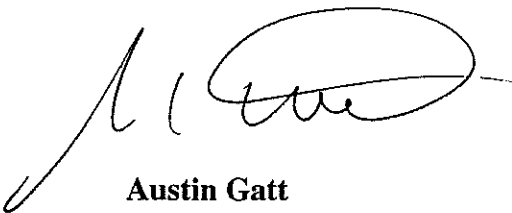
the different levels of authorisation for the rank and file staff and clearances required and the recording needed for every decision to be auditable and justifiable in case of eventual query. I expect these procedures to be in place by the end of June 2010. This, however, is not enough and the Authority is therefore directed:

1. to immediately employ a person with experience in banking procedures and checks and balances who will not only introduce the necessary procedures but also monitor constantly their implementation. I expect this person to be employed by the end of June 2010.
2. given the amount of cash handling processes conducted by these offices, it is also desirable that the Authority adopts procedures that avoid the risk of familiarity between customers and service providers. Though familiarity with rules and procedures is desirable, familiarity with customers of regular licensing services carries with it risks of collusion. It is in my view appropriate to take a page from procedures adopted by private cash handling institutions and to introduce rotation of services for all employees within the cash office.

I am consequently directing the Authority that every year one-third of all staff - both clerical and management - is redeployed from the cash office in which they have been assigned to elsewhere in the Authority and detailed to tasks that are appropriate for their rank within the organisation. These are replaced from elsewhere in the Authority ensuring that a tour of duty at this section never lasts more than 3 years and is not followed by another tour for at least 3 years.

I would also suggest that you inform the Union of this Ministerial Directive and that you also explicitly inform effected employees of this measure and that it is not being adopted as a result of any failure on their part but rather to ensure that they are never perceived to be at risk of irregular activity.

Finally, a full copy of the report should be sent to the Commissioner of Police who is separately investigating the matter after I had referred it to him.



Austin Gatt

cc: Permanent Secretary, MITC