



Northern Ireland
Assembly

Public Accounts Committee

OFFICIAL REPORT (Hansard)

Driver and Vehicle Agency Annual Report and
Accounts 2019-2020: Driver and Vehicle Agency;
Department for Infrastructure; Department of
Finance; Northern Ireland Audit Office

18 February 2021

NORTHERN IRELAND ASSEMBLY

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Members present for all or part of the proceedings:

Mr William Humphrey (Chairperson)
Mr Roy Beggs (Deputy Chairperson)
Mr Cathal Boylan
Ms Órlaithí Flynn
Mr Harry Harvey
Mr David Hilditch
Mr Maoliosa McHugh
Mr Andrew Muir
Mr Matthew O'Toole

Witnesses:

Mrs Katrina Godfrey	Department for Infrastructure
Mr Stuart Stevenson	Department of Finance
Mr Jeremy Logan	Driver and Vehicle Agency
Mr Kieran Donnelly	Northern Ireland Audit Office
Ms Colette Kane	Northern Ireland Audit Office

The Chairperson (Mr Humphrey): The Committee is delighted to be joined by Mrs Katrina Godfrey, who is the accounting officer and permanent secretary at the Department for Infrastructure, and Mr Jeremy Logan, who is the chief executive of the Driver and Vehicle Agency (DVA). They are joining the meeting remotely. In attendance also are the Comptroller and Auditor General (C&AG), Mr Kieran Donnelly CB; Ms Colette Kane from the Northern Ireland Audit Office (NIAO); and Mr Stuart Stevenson, the Treasury Officer of Accounts (TOA) in the Department of Finance.

Members, I refer you to your pack for the Northern Ireland Audit Office's report on the Driver Vehicle Agency for 2019-2020. The biographies for Mrs Katrina Godfrey and Mr Jeremy Logan are included. There is also a restricted briefing paper from the Northern Ireland Audit Office and a restricted paper on suggested questions, should members need them.

I welcome Mrs Godfrey and Mr Logan to the evidence session. Good afternoon to you both. If you would like to make a statement to the Committee, please do so, and we will then ask members to ask questions.

Mrs Katrina Godfrey (Department for Infrastructure): Thank you very much, Chair. First, apologies. Needless to say, yesterday's StarLeaf test went perfectly, with no hitches whatsoever. Today it was

not quite the same, but I have managed to get in on my iPad, as opposed to my work laptop, so hopefully the battery will hold up for the duration of the session.

I am very conscious, Chair, that the advice from the Business Committee is that opening remarks should be kept very brief, so, beyond making a couple of points, I will not detain members for too long. We are very happy to have the opportunity to answer the Committee's questions on the C&AG's report, which looks at the results of its audit of the Driver and Vehicle Agency's 2019 accounts. I imagine that we will spend some time on the aspects of the report that deal with the circumstances that required the agency to suspend services following the identification of faults in the lifts that it uses. I will say at the outset that, from the Department's perspective, the decision to suspend those services was a very straightforward one, given the priority that we insist the agency attach to health and safety. The reality, however, was that it caused widespread disruption to motorists, and indeed to staff, and I am very sorry that so many people were inconvenienced as a result of that decision.

Of course, at that point last January, the Department did not know that that disruption would be eclipsed by that caused by COVID-19, but it is worth going back to the events of January 2020 and saying a little bit about the approach that we took, which can be summed up in four steps that have been so very important both for my Minister and for me as principal accounting officer. First, we wanted to understand why that had happened, and particularly why it had happened without prior warning. That was very much the key purpose of the two investigation reports that we commissioned. Secondly, we wanted to fix the situation by working with the agency to get vehicle testing services back up and running safely as quickly as possible. The third area of focus was on preventing recurrence by implementing all the recommendations from both investigation reports and monitoring progress very closely. The fourth area of focus was on the need to learn from the situation and the events surrounding it, not just in the agency but across the wider Department.

Chair, if you are content, I will not say any more at this stage, but I will ask Jeremy to add some opening remarks of his own, and we can then move to questions.

The Chairperson (Mr Humphrey): Before Mr Logan comes in, I ask all who are joining the meeting remotely, apart from the person speaking, to mute themselves, please. There is some background noise, and it was interfering with Ms Godfrey's contribution.

Mr Jeremy Logan (Driver and Vehicle Agency): Chair, I reiterate Katrina's earlier comments and apologise to our customers for the disruption caused by the suspension of the vehicle lifts from 27 January. That was clearly not foreseen, and, owing to the fast-moving nature of events, there was little that we could do to mitigate the impact when it became clear that the rolling programme of repairs would not address the faults identified in most of our lifts.

I want to assure the Committee that, throughout the events that unfolded in January 2020, the health and safety of our staff and customers was paramount. I welcomed the independent reports commissioned by the Minister and the permanent secretary, and their findings presented the agency with an opportunity to learn lessons and strengthen internal controls. The reports identified a number of actions and arrangements that needed to be put in place to minimise a recurrence of such events, and we moved quickly to develop a comprehensive action plan to address the findings and recommendations.

The first action plan progress report reflected the progress at 31 May, by which time a number of actions had already been completed. Since then, I have provided the Minister and the permanent secretary with a monthly update on progress and have published quarterly reports on the Department's website. The implementation of the action plan is being monitored by the DVA's audit and risk committee, and the validation of actions has been included in the DVA internal audit plan for 2021. We are well on our way to completing the identified actions, and, although it has been a very challenging experience for our customers and staff alike, I am confident that, when it is implemented in full, the action plan will address the concerns and recommendations from both the audit and engineering reports.

The Chairperson (Mr Humphrey): What is the projected number of lifts that your lifts are expected to make a year? I mean the lifts that were at fault.

Mr Logan: We estimate, based on the information that was provided, that our lifts probably complete around 20,000 lift cycles every year. We have test centres at 15 locations, and those test centres are very busy. The lifts are probably used regularly across all the test centres in a fairly vigorous way.

Approximately 20,000 cycles a year is the expectancy across the network, although there are variations among centres.

The Chairperson (Mr Humphrey): What is the lifespan of the lifts that you installed?

Mr Logan: Do you mean the new lifts that we have installed?

The Chairperson (Mr Humphrey): No, the lifts that were at fault. What was their lifespan?

Mr Logan: At that stage, we had not identified an absolute lifespan. There was a rigorous, planned preventative maintenance (PPM) regime in place, and the discussion around lift cycles really only started once we started to talk about the impact in the aftermath of the event. The lifts are designed for 22,000 lift cycles. I think that that is the EU standard, but that is a very minimum figure. Indeed, in the discussions that I have had with representatives of MAHA since then, I have been told that the lifts could last for any time between five and 25 years, depending on their usage. That is based on *[Inaudible.]* The vehicle lifts are 4.2—.

The Chairperson (Mr Humphrey): Sorry, but you broke up. That is based on what?

Mr Logan: That is based on a maximum load capacity. The vehicle lifts are designed to lift 4.2 tons. The vast majority of the lift cycles that we conduct during a year would be much less than that. I estimate that we would use approximately a quarter of that lifting capacity. That would naturally extend their useful life.

The Chairperson (Mr Humphrey): Surely with maintenance and the writing-off of equipment after a number of years, as any business would — whether that be over five years, 10 years or whatever — knowing the lifespan is crucial. For example, did we have a situation in which we had some lifts carrying out more than 22,000 lifts per annum for an interminable number of years and did not know? Are there computer records for those lifts and the number of cars that were going in? We could have had lifts that were carrying over 20,000 vehicles a year over many years. The lifts were installed in 2011, were they not? When were they installed?

Mr Logan: They were installed between 2011 and 2013. We do not have lift-cycle counts for each lift. That is one of the actions that we are taking forward. Indeed, the new lifts have all been installed with cycle counters. That is definitely one of the lessons that has been learnt from the engineering and audit reports. The figures that I provided are estimates based on the number of vehicles that we test each year.

The Chairperson (Mr Humphrey): From where were the replacement lifts bought?

Mr Logan: From MAHA, which is the contractor that supplied the lifts in which the failings were identified.

The Chairperson (Mr Humphrey): Is that also the company that was contracted to maintain the lifts?

Mr Logan: That is correct.

The Chairperson (Mr Humphrey): From its experience in other countries, did it not know exactly how many lifts should be done per annum, the lifespan of a lift and so on?

Mr Logan: It did not define specific lift usage. As I said, from speaking to its managing director, I know that lifts can be designed to last for between five and 25 years, depending on the usage and the load cycles that they are lifting. To be definitive about it, it is very difficult to say that a lift will last for five or six years. We were relying on MAHA and the expertise that it provided in the planned preventative maintenance schedule and, indeed, the condition reports that it completed on the lifts in October 2018, which stated that the lifts were still in good working order. We were trying to maximise the use of those lifts, while ensuring that our eight-weekly inspections and six-monthly insurance inspections were still conducted in a very rigorous way. There was nothing in the inspections that indicated that those lifts had reached their end of life until the first cracks appeared in November 2019. That really drew to our attention the potential for the issue that unfolded in January 2020.

The Chairperson (Mr Humphrey): Yes. We get that. I am sure that members will bring it up that cracks were identified in two lifts in Larne on 6 November 2019. You then had to carry out some repairs to those lifts. Then we had a survey. When that survey of lifts that were potentially to last for between five and 25 years was conducted in January 2020, 51 of 55 lifts were deemed to be faulty. That is a very high number for lifts that were inspected every eight weeks, Mr Logan.

Mr Logan: Yes. It took us all by surprise. It took the agency and MAHA, the contractor, by surprise. You are absolutely right: those lifts had been inspected rigorously through a regime every eight weeks, and the nature of the crack —.

The Chairperson (Mr Humphrey): Mr Logan, I contend that it should not have taken anybody by surprise, least of all MAHA, which was inspecting the lifts on an eight-weekly basis. There should have been no surprises. If the inspections were being carried out in the regular way in which they should, and, I imagine, were, how could there be 51 faulty lifts out of 55 ? I put it to you that it is not acceptable that there were surprises.

Mr Logan: The cracks were first identified in the lifts in Larne. They were small hairline cracks. The nature of a working environment such as a DVA test centre means that, in and around the pivot boss where the cracks were found in Larne, there is grease, oil and that type of thing that could have concealed the signs of earlier hairline cracks. I think that that discovery then drew the attention of the examiners much closer to that issue, and there were concerns about previous tests. When inspecting equipment thereafter, they were looking in the same location to see whether there were further signs across the network of lifts, which, unfortunately, there were.

We then called MAHA and asked for it to undertake a thorough examination of all the lifts, and it came back that 51 of the 55 lifts were exhibiting signs of cracks. In conjunction with MAHA, we tried our best to continue to provide a rolling programme of repairs. Unfortunately, that proved unsuccessful, resulting in lift usage being suspended at the end of January.

The Chairperson (Mr Humphrey): Surely MAHA is not carrying out inspections on an eight-weekly basis using the naked eye. Surely it is using proper, professional equipment that allows those cracks to be identified as being more than just surface cracks and possibly structural cracks. Surely a layperson like me and the person carrying out inspections do not have the same equipment.

Mr Logan: The cracks were identified through the thorough examinations, and those were conducted in line with LOLER, which are the Lifting Operations and Lifting Equipment Regulations 1998. The examinations were completed by the competent authority: a structural engineer. The reality is that that is the inspection regime was put in place, under which those cracks were identified. You or I would not necessarily have picked them up, but they were picked up by that thorough examination regime.

The Chairperson (Mr Humphrey): Is that competent authority a member of MAHA staff?

Mr Logan: MAHA subcontracted the insurance inspections to an outside body, but that was done under its own contract. That was subsequently removed, and DVA has taken control of the independent insurance contract, and the independent company reports directly to us going forward. That is another lesson learned from the reports that were published.

The Chairperson (Mr Humphrey): Does the fact that MAHA had to subcontract the insurance inspections suggest that its own people were not competent?

Mr Logan: It suggests that it did not have that independence that an independent company coming in to check the lifts brings. That was a key component of the planned preventative maintenance regime, and it is one that we have continued with, albeit that the company is reporting back directly to the agency now as opposed to MAHA.

The Chairperson (Mr Humphrey): It took 51 out of 55 lifts to be out of action for all of that to happen. That says it all.

Mrs Godfrey: Chair, is it possible for me to add something before we leave that point?

The Chairperson (Mr Humphrey): Yes, of course.

Mrs Godfrey: You have asked many of the questions that we asked ourselves. One of the contextual factors picked up in the Comptroller and Auditor General's report is the element of surprise. It may be worth noting that those lifts are in use in other jurisdictions. One of the things that, to its credit, the agency did was to share the information with other jurisdictions as soon as it found itself in that position. That gave rise to the discovery of a similar problem in the South. The agency therefore contacted its colleagues in other jurisdictions to say, "We've had these issues". It was told, "Oh dear. No, we don't", but those colleagues then took a look and discovered that they had a similar problem. I add that just by way of additional context.

The Chairperson (Mr Humphrey): That is good, but this Committee is charged with looking at the body that is responsible for Northern Ireland —

Mrs Godfrey: Absolutely.

The Chairperson (Mr Humphrey): — and that is what we are looking at. We need to remain focused on that.

Mr Harvey: Mrs Godfrey and Mr Logan, it is good to see you. I will start at the beginning. You say that scissor lifts are fundamental to MOT testing. MOT testing in Northern Ireland had its inception back in the 1970s. There were no scissor lifts until probably 2010. What was the reason for changing your method of testing from pit to lift?

Mr Logan: That is a good question, Mr Harvey. To be honest, I am not sure at which point in time we transitioned to lifts. I suspect that the reason for doing so was probably to do with the efficiency of the testing process and the ability to maximise capacity at our test centres. Moreover, there were potentially some health and safety considerations for our staff, who are continually looking at the underside of vehicles. The lift allows a vehicle to be inspected in a manner that is much more conducive to the health and safety of our staff. I cannot give you a definitive response as to why that was changed, but I imagine that capacity and health and safety considerations came into play in the decision-making.

Mr Harvey: Yes. I find it difficult to understand how, as the Chair said, the lifts were all in perfect working condition in 2018 and then, out of the blue, cracks started appearing in 2019. They were obviously well past their lift capacity then. When you decided to weld the cracks, who had recommended or approved that action? Why was it not a success?

Mr Logan: At that time, we were very keen to maintain service delivery as well as to ensure that what we were delivering was safe for our customers and our staff. In consultation with MAHA, we agreed a rolling programme of repairs to weld cracks to see whether that would address some of the concerns and at least buy us a little bit more time to consider a longer replacement programme. Unfortunately, that repair programme, which was rolled out in January 2020, did not prove effective in addressing the cracks.

Mr Harvey: OK. Have any lifts ever collapsed because of cracks?

Mr Logan: No. To the best of my knowledge, no lifts collapsed as part of this particular incident.

Mr Harvey: Rather than replacing the entire lift, was consideration given to replacing the item that was at fault? Surely it was only one part that was at fault, not the entire lift.

Mr Logan: I think that that was considered in the White Young Green report. Consideration was given to replacing the scissor arms, pivot bushes and the pivot boss, but that would have been such a significant piece of work. Bearing in mind that we would have been replacing key components on lifts that were already eight or nine years old, we did not believe that that was necessarily the best course of action to take. It would still have caused significant disruption, because those lifts would have had to be taken out of commission. That would potentially have been more disruptive than replacing them.

Mr Harvey: When your lifts were removed, were they all scrapped, and certified as having been scrapped, or were they sold?

Mr Logan: I honestly do not know the answer to that question. I do not believe that they were sold. I imagine that they were scrapped. I can certainly confirm that and come back to the Committee to let you know. I do not think that they were sold on, however, because of the nature of the fatigue on the metal.

Mr Harvey: The safety issue means that it would be safer for them to have been scrapped, and certified as having been scrapped.

Finally, most test centres have been closed at times during COVID. Has that given your management team to think about how things are done? Have you planned any improvements? I am just thinking about your plans for diesel cars' emissions and stuff. I know that you have a new test centre coming that will be capable of doing that. What about the rest of the test centres' capability to test diesel emissions?

Mr Logan: COVID has not given us any time at all. Since March, its impact has been felt very hard across the agency, with vehicle testing, driving tests and other services, including driver licensing, affected. It has been a particularly difficult time for staff to try to manage the circumstances and to try to recover our services as quickly and as safely as we could in line with public health advice and guidance.

You are absolutely right. We want to progress our proposals to enhance and modify the network. It was good that, during COVID, we managed to get the Hydebank contract awarded. Work has now started on-site, and the completion date for both the test centre and the new depot is September 2022. We have also been liaising with the Minister on proposals for the wider network. We hope that the Minister will be in a position to make an announcement on the proposals going forward.

Mr Harvey: Those are all my questions, unless Mrs Godfrey would like to add anything.

Mrs Godfrey: I will just pick up on Jeremy's last point. Having had the recommendations from the agency, the policy direction and future footprint of test centres is under consideration in the Department. The Minister is looking at the proposition now. I imagine that she will be in a position to say something in the not-too-distant future.

Mr Harvey: OK. Thank you very much to both of you and to your team.

Mr Muir: Thank you to the officials for attending today. First and foremost, the key concern in all of this is the health and safety of workers and people using the test centres. Were any concerns ever raised by staff prior to the whole issue of the standard of the lifts and safety concerns becoming public? If so, what were they?

Mr Logan: When cracks started appearing in lifts across the test centre network, yes, there were naturally concerns among centre management and staff about whether the lifts were safe to operate. One of the fundamental positions that we took was that, if they were to be repaired, the lifts would not be commissioned and put back into use until they had been thoroughly examined again. Throughout January, lifts were decommissioned until the repairs had been effected. One of the key things was that the insurance inspector went back to sign them off as being safe to operate. As we got to 27 January, when the decision was finally taken, the reality was that the insurance inspector could no longer assure us that lifts across the network were safe to operate. Ultimately, we had to take the decision to suspend all tests at that point, which we know caused significant disruption.

Mr Muir: Thank you. There is a media report from 23 January 2020 that states that NIPSA was aware of ongoing health and safety concerns about the safe operation of the lifts and that staff had concerns about the quality of the welding work done in the repairs. Were those concerns highlighted to the agency? Why was no decision taken to intervene and stop the continued operation of those lifts?

Mr Logan: Yes, we were aware that there were some concerns with the quality of the welding repairs. As I understand it, that was picked up by the insurance investigator through the thorough examinations. That is really what brought the situation to a head in and around that time. The Health and Safety Executive was also involved, and we were consulting with it. We were saying that we would not put a lift into service where we had concerns that the repairs had not been effected adequately. Until the lifts had been examined again, and a thorough examination had been completed and signed off, those lifts were therefore not used. That is the stance that we adopted throughout. It is

fair to say, however, that there were staff concerns, and naturally so, because a number of lifts were affected.

Mr Muir: One of the things that led to this was the inspection regime. Inspections were carried out by the supplier, albeit they were subcontracted. Was it not also considered a health and safety risk that, essentially, the people who were looking after the lifts were also doing the inspections? There is an inherent risk associated with that, so why was it not identified earlier? I know that there is a separate regime in place now, but surely that should have been identified as a key area of concern.

Mr Logan: MAHA had provided a service for the agency for quite some time under similar provisions in the contract. As I said, MAHA subcontracted an independent insurance assessor to do the thorough examinations. It was independent in that respect, albeit that the company reported through MAHA, in line with the contract. Until November 2019, when the issue started to manifest, we had no issues with the service that was being provided or with the planned preventative maintenance regime that was in place. The situation did not escalate, nor was it causing us any concerns. Naturally, as this is working equipment, it needs to be fixed. Bits need to be replaced and maintained, as you would expect, but there was nothing to give us any forewarning that it was going to be the fundamental issue that we would face in the months thereafter. I do not think that the integrity of the contract could be called into question, but, suffice to say, we took steps on the back end of the audit report to take the independent, thorough examination inspection in-house, and DVA manages that directly through a separate contract.

Mr Muir: Thank you, Jeremy. COVID-19 arrived and resulted in the closure of the economy and society around March of last year. We all wish that COVID-19 and its devastating human impact had not happened, but, at the time, this issue had been leading to significant disruption to MOT services across Northern Ireland for a significant period. That would have continued if COVID-19 had not necessitated the closure of MOT centres. Partly, as a result of, from my perspective, inadequate inspections, we came to a situation where the equipment was failing and needed to be replaced. The responsibility was placed on the supplier to carry out those inspections. Why was no consideration taken on legal action against the supplier for bringing DVA into the situation that it arrived in?

Mrs Godfrey: I will pick that one up, Andrew, because I asked that question at the time and took very detailed procurement and legal advice on that. Obviously, for reasons of legal privilege, I cannot get into the detail of the legal advice, but I can assure you that it was exceptionally carefully examined, challenged, revisited and reviewed to see what options there were and what was in the best interests of getting, as you rightly say, the service back up and running as quickly as possible. At that point, we had not foreseen the devastation of COVID, and the focus was on getting the service back up and running so that testing could resume.

The combination of the very clear legal and procurement advice really took us into a position where we, certainly in the Department, had a couple of choices. Ultimately, I am the one who has to take responsibility for signing off on the continuation of buying new lifts from the same company, so it required a lot of questions on my part. On the basis of the advice, we had very few options if we wanted to get vehicle testing back up quickly and safely. We could not really have afforded, and neither could the agency, considering both testing and income, to have been dragged into protracted legal processes that could have involved a company and then that company's subcontractors. You and I both know that legal processes can take a very long time, so the decision was to get the services up and running with a legitimate contractual and procurement arrangement, and that is where we focused in the Department and in the agency.

If it had not been for COVID, we had a target to have those lifts in place around April or May. You are absolutely right, Andrew, to say that there would have been a huge amount of disruption over January, February, March and April. There is no getting away from that, because, at that time, we did not know that the disruption would be an awful lot worse for a different reason.

Mr Muir: I have one last question, Chair, because I am conscious of time and that other members want to ask questions. Obviously, disruption has been caused as a result of this and as a result of COVID, eating into DVA's reserves, and work into that has been done recently. Do you think that there are lessons to be learned about an asset replacement plan and having sufficient reserves for the replacement of these? Is that in place going forward in the context of the potential lifespans of the lifts that have been installed?

Mrs Godfrey: Maybe Jeremy will pick that up in a second, but, from my perspective, one of the big lessons from this is about the contingencies that you have in place when there is a wholesale failure. The agency has always had the reserves and the ability to replace equipment as it needed to be replaced. What was not foreseen was a situation where you have to replace everything at once, but, at that point, the reserves were sufficient to allow that to happen. It was certainly the Department's expectation that the agency would fund that replacement programme from its reserves.

Mr Logan: Yes, that is absolutely right. We had significant reserves at that point in time, and a significant amount of that was set aside for the equipment replacement programme. We awarded a new equipment replacement programme in March 2017 with a new supplier. That equipment will be first rolled out in the new Hydebank centre. I go back to a point that Katrina made about the advice. That new equipment from that supplier is in the process of being installed at Corporation Street for performance testing. Therefore, there is no means by which they could have provided a lift that would have met our need at that point in time. That is why, after much consideration, the procurement of the new lifts from MAHA was the action that was taken forward. The equipment that we use has a bespoke specification for DVA's use. It is important that that is rigorously tested before it is installed.

Mr Muir: Thank you.

Mr Boylan: I have two questions. Jeremy, at what stage was the shaker put on these lifts? This is a straightforward hoist lift that goes straight up and down, and then a shaker plate was put on for checking the front suspension and things. When was the shaker plate put on? Do you have any indication of that?

Mr Logan: I do not know off the top of my head, Cathal, exactly when. They are known as play detectors, and you can check the suspension on the components more easily. Our lifts have play detectors both on the front and on the rear, certainly on the new design. I can come back to confirm it, but I believe that there were shakers on those lifts at the time that they were installed between 2011 and 2013.

Mr Boylan: We visited the centres. Clearly, the responsibility for the assessments and the checks lay with MAHA. That is right, is it not, for the inspections of lifts?

Mr Logan: It would have done the bimonthly — the eight-weekly — inspections, and then a thorough examination of the lifts for their integrity was carried out by the insurance companies that it had contracted in.

Mr Boylan: I am a member of the Infrastructure Committee, and we had an opportunity to visit. I am not an engineer, but I have been around the game for a while. I ask about the shakers because I know that you had a straight lift that hoisted straight up and then you had a shaker plate on it. Clearly, at some point, there would have been some kind of stress on certain joints. Obviously, that was explained to us as part of our visit. Thanks for the presentation today, but, to be honest, Jeremy, I am a bit concerned about the shelf life, and that is why I ask about the inspections. The Chair picked up, at the start, on the point about 22,000 cycles and a lifespan of between five and 15 years or whatever. Clearly, those things should have had a proper shelf life and should have been tested. If you are saying that that was the case, that is fair enough, because *[Inaudible]* exposed otherwise. You reckon that the shaker plates were on from the very start, yes?

Mr Logan: I understand that to be the case. Cathal, I had a meeting with senior management from MAHA last week, and I asked the same question about the shaker plate design or the play detector design and whether that has an adverse impact on the structure, particularly on the scissor arms. Their answer to that was no; that would have been built into the specification of that lift, and they would have anticipated that those load cycles would not be affected by the forces that were exerted on the frame by the shaker plates. That would have been factored into the design of the lift.

Mr Boylan: That is fair enough. I asked the question, and you have answered in that context.

In relation to the surplus position and current estimates of surplus at the end of March 2021, can you give me an update on where you are with that? If there is a surplus, how will that surplus be used?

Mr Logan: Yes, I am glad to report, Cathal, that the finance position is more positive than we previously reported at the Committee. We have been successful in the COVID bids that we put

forward, which were to a significant sum of approximately £31 million. The majority of that would have been due to the loss of fee income from the lack of vehicle testing. Approximately £25 million of that would have been due to the fees lost on the testing side. Throughout the year, we put forward a number of bids, and, in the January monitoring round, we were successful with the outstanding £10 million bid and recovered the COVID losses. In addition, the agency recently put forward a bid for non-COVID funding to reinstate some of the reserves that had been removed from the trading fund in 2008-09, and we were successful in that bid and got another £10 million.

The anticipated reserves position at the end of this year is looking quite healthy. That money has been earmarked, as it was before, for the construction of the new test centre and depot at Hydebank, for our ICT development and transformation and, indeed, for vehicle testing equipment. We also need to have a working capital of around £6 million or £7 million, so that we have enough money in the bank to run our business, essentially, in terms of income in and spend out. We will always have that £6 million or £7 million sitting there as working capital. The position is much improved from the one that was previously reported at the Committee.

Mr Boylan: Thank you very much. Katrina, welcome. Sorry, I have not missed you there. I want to get a better understanding of another issue. Can you give me an overview of what exactly the trading fund model is, please?

Mrs Godfrey: Absolutely, Cathal. To my knowledge — Department of Finance officials can correct me if I am wrong — the agency might be the only trading fund at the moment. A trading fund is usually set up when an organisation has services that it could reasonably fund from income. You might remember the legislation that went through the Assembly in 2016 to set up the trading fund. That was probably under the former Department of the Environment, and, since then, the agency has been running as a trading fund in line with the rules that are set out in 'Managing Public Money'. As Jeremy said, it has to set its fees to cover its costs, and it has to keep a level of working capital so that it can control its income and outgoings in a managed way, and that arrangement is in place. Prior to 2016, there was a mixed model whereby the former agency got some of its funding through income and some through general supply. The 2016 order regularised that into a full trading fund, and that remains the case.

Mr Boylan: It is about ensuring value for money, yes?

Mrs Godfrey: Absolutely, because there are restrictions to how a trading fund can operate. For example, its fees cannot be way out of kilter with the costs of delivering the service. As Jeremy said, it has to keep a level of working capital, but that is all very tightly prescribed in the various financial rules and regulations, and Jeremy's team and my team make sure that that is the case.

Mr Boylan: OK. Thank you very much, Katrina and Jeremy.

Mr McHugh: Tá fáilte romhat go léir. You are all very welcome. I have a few issues to ask about. MAHA was the company that carried out the testing, and I am sure that it will have been an issue for you, as an organisation, that that company was, in a sense, testing its own equipment.

Mrs Godfrey: It is a really good question, Maolíosa, and one that I certainly asked. The requirements of the regulations — Jeremy can say a bit more about this — that govern lifting equipment are quite stringent, and those companies also have insurers who want to make sure that nothing goes wrong. That combination of the company and an independent inspector appointed by its insurer should be a reasonable safeguard, but, as you know and is set out very clearly in the reports, we would be happier now with a further level of independent investigation and inspection, and that is the arrangement that is in place at the moment. Jeremy, do you want to add anything to that?

Mr Logan: It is not uncommon to have a contract to supply, service and maintain equipment. In some respects, it is much like when you buy a car and take it back to the same people who provided it to service and maintain it for you. MAHA is best placed to service and manage its own equipment. The report picked up the issue of the independent insurance inspection. After further consideration, we believed that it was appropriate to manage it ourselves, so that we had ready access to the information, which could be controlled and managed by DVA and could strengthen our internal controls around the inspection regime. As Katrina said, they are strictly governed by LOLER. Those regulations are applied right across the board; anybody who has lifting equipment must have it inspected in that six-monthly regime.

Mr McHugh: Continuing with the example of the car that you used, I have a car that is 16 years old. The mechanic who carries out the work on it is well aware of the fact that it is that age; he knows exactly where to look for weaknesses before he submits it for an independent assessment at the MOT centre. Unfortunately, that is not the system that has been in place to date. In some respects, the DVA must be responsible; although it did not specify a lifespan to each piece of equipment, the equipment depreciated every year, to the extent that each piece was valued at £1 by each of the centres in which it was located. That depreciation period implies that it was known that the equipment would have to be replaced. Although we can identify weakness in the way in which machines were maintained and inspected, the DVA should have been a whole lot more rigorous in the way in which it applied itself to replacing those machines. How do you feel about that?

Mr Logan: We had a planned replacement programme. We knew that we would have to replace the equipment in our new test centres. We awarded a contract to a new equipment supplier in March 2017. We sought further advice from our colleagues in Construction and Procurement Delivery (CPD) about how we would manage those lifts. It is fair to say that it caught us out that 51 out of 55 lifts exhibited those cracks; we did not anticipate that. We would have expected that some lifts might have gone out of service in that time, but we could have replaced them within the body of the contract; it allowed for that. MAHA, which was managing that contract, could have come to us at any time earlier than that to say that those lifts had reached their end of life. It did a condition survey for us, at our request, in October 2018 and said that the lifts were in good shape and could continue to be maintained and serviced by it. We took assurances from that regime that had been put in place, and the condition report endorsed that position.

Mr McHugh: If anything, accepting those assurances demonstrates the weakness in the whole system given that 51 of them were identified as having cracks and so on.

Is it correct that MAHA is contracted until 2024?

Mr Logan: That is right.

Mr McHugh: The contract is worth over £12 million. Can you assure me that that particular contract has been subject to full procurement procedures?

Mr Logan: We engaged with CPD around the integrity of extending that contract. As I said, on the back end of some of the lessons learned from the independent reports, we have taken some steps to add more rigour to it. We have removed the independent inspections, as I said. We have reviewed some of the clauses to make them more accessible and clear about performance issues that we can go back to MAHA about.

The one thing that we have talked about is the life expectancy of the lifts that have been installed since April. The final lifts were installed [*Inaudible*] Belfast. MAHA has assured that those lifts will be serviceable for four years. That is the minimum position. We have also installed cycle counters in those lifts, because we want to bring more science to it to assess what the lifts are actually doing. They are not lifting their full weight at all our centres. In fact, in many cases, they are lifting a small fraction of that weight. We are working with MAHA and its technicians to see whether we can put in a formula that allows us to more accurately assess the life expectancy of the lifts. We will probably use a similar approach with our new supplier to do the same when its lifts are installed in Hydebank and other places thereafter.

Mr McHugh: I have one last question. Did anyone ever explore with MAHA the poor and highly concerning quality of the welding repairs that took place and that were identified by the thorough examination (TE) inspections?

Mr Logan: We raised the issue. The issue was picked up by the insurance inspection regime. Once it had highlighted a concern with the welded repairs, we immediately went back and said that the lifts had to be inspected before they could be recommissioned. It quickly became clear that the welded repairs would not suffice, and, as a result, the lifts were decommissioned.

Mr McHugh: Sorry, I know that I said one last question, but this is definitely the final one. Was anyone else considered for this contract?

Mr Logan: For the equipment replacement?

Mr McHugh: Yes.

Mr Logan: It goes back to Katrina's earlier point about the legal advice that was sought. There were two aspects to it: replacing the equipment and, fundamentally, delivering the service. Having sought that legal advice, the decision was taken that we would procure lifts from MAHA with the intention of getting the service back up and running as quickly as we possibly could.

Mr McHugh: What about the maintenance?

Mr Logan: The contract that MAHA has with us is for supply and maintenance, and it services the equipment for us. It is not dissimilar from the new contract with the new provider, Worldwide. The contract is very similar in supply and maintenance, and, likewise, we will strip out the independent insurance inspection from that contract.

Mr McHugh: That is grand. Thank you.

Mr Beggs: Thank you for your information to date. I would like to go back to the issue of suddenly discovering multiple cracks on virtually every lift. Can you explain what in particular changed that meant that, suddenly, all those cracks were spotted? Was it the fact that those who were inspecting wiped the grease away? What changed? Were the lifts dismantled or were X-ray machines used? What happened so that you were suddenly able to discover that 51 of the 55 lifts were faulty?

Mr Logan: As I said earlier, once the first cracks were discovered, it probably drew the inspector's attention to look out for them in a much more rigorous way across all the inspections carried out after that time. I note that, in the inspections that were carried out between July and October, of the 35 lifts, there were no cracks identified. However, subsequently, after the cracks were identified in the lifts in Larne, cracks were identified in a further 15 lifts. DVA staff were not responsible for the inspection of the lifts. That was done by MAHA and the insurance inspector. When we asked them to carry out further thorough examinations, unfortunately, it manifested in 51 of the 55 lifts that they looked at. We had to react very quickly at that stage.

Mr Beggs: Can you clarify whether MAHA itself or an independent engineer carried out those inspections?

Mr Logan: The independent engineer carried out the inspections, but, once it saw the reports coming back, MAHA took it upon itself to go out and look at the lifts and to carry out a visual inspection, particularly of the areas of concern. It reported back, at that stage, that 48 of the lifts had shown signs of cracking, and that is what raised concerns. It was at our request that it would do that.

Mr Beggs: Sorry, I am asking about prior to the discovery of the faults. In the normal maintenance contract, which had been in place, was independent testing done, or was it MAHA engineers doing the inspection?

Mr Logan: MAHA engineers would have done the eight-weekly inspections, and the six-monthly inspections — the thorough examinations of those lifts under LOLER — were carried out by the independent insurance inspector.

Mr Beggs: OK. The Department has a lot of other lifting equipment. Can you reassure me that it is independently assessed, down to the forklift toes and lifting tackle, or is it, perhaps, inspected in such a manner where there may be weaknesses? Can you reassure me that all other lifting equipment in the Department and other Departments, for that matter, is appropriately independently inspected?

Mrs Godfrey: I can reassure you in relation to the Department. Indeed, I have asked the question not only in the Department itself but, for example, in Translink, which also relies on lifting equipment. As Jeremy said, the LOLER regulations set out specific legislated regulatory requirements. I am absolutely assured that those requirements are met and continue to be met. There should be no question of the LOLER regulations not being adhered to very scrupulously in relation to anything that comes within the purview of the Department or, indeed, any of its agencies, because — you are right — due to the nature of our business, we work with big and, potentially, risky equipment. That focus on health and safety is hugely important to us.

Mr Beggs: Do you accept that that failure, as well as causing huge inconvenience to the public, has cost the public purse significant money?

Mrs Godfrey: It has certainly created huge disruption. It has meant that income that the agency would have been planning to use for other things had to be diverted to replace the lifts, for example, and to meet the other costs that were associated with that. In relation to the funding that Jeremy talked about earlier, we have kept a very scrupulous divide between the costs for the agency that were related to the lift failures, which the agency is bearing on its own, and the COVID-related loss of income, which, of course, is a much wider issue and has hit bodies right across the public sector and, indeed, the private and third sectors as well.

Mr Beggs: Do you accept that mismanagement of the issue was the major contributory factor to the DVA losses of almost £3 million in the last financial year, whilst the replacement lifts cost only £1.8 million? Surely, that was a glaringly bad decision, which highlights that public money was lost unnecessarily?

Mrs Godfrey: There is no question about it, Roy: the lift failures have created huge disruption for customers, DVA staff, the Department, the Minister and everybody else. The question that I ask myself most often is this: where were the indications? Did we miss any indications that that could have happened and could have been prevented?

I go back to the independent investigation report. It does make the point that it was reasonable for DVA to rely on the inspection regime that was described in the LOLER regulations and on the assurances that it was given. However, it does not really help us that the investigation found that, because it still does not take away from the disruption and, as you rightly mention, the costs that people have had to bear, right across all of us who have been affected. I put the question to the auditors and those who carry out the independent inspections: where was the evidence? Did we miss evidence? To use the analogy of the dashboard: was there a red light blinking somewhere that we missed? It is really difficult to answer that question other than with the entire benefit of hindsight. However, there is no doubt about it: we should not have found ourselves in this position. It was hugely disruptive. There is no getting away from that.

Mr Beggs: You said that the decisions that were made by the Department and DVA on that were reasonable, yet, obviously, your legal advice has not given you strong grounds to sue for losses. You claimed legal privilege. If you are not going to act on that legal advice, surely it is of no value? You have already taken the decision that you will not instigate legal action. Why can you not share that information with the Committee?

Mrs Godfrey: There are a couple of things to say. I assure you that we were very strongly guided and informed by the legal advice, as you would expect. There is a long-standing privilege for legal advice; if you go back to Erskine May and the Assembly's own arrangements, legal advice and opinion are always privileged. There are good reasons for that, which are not necessarily related to this case but to convention and precedent. The Assembly's legal advisers will take a similar position to that of my legal advisers, which is to be firmly respectful of the convention that there is a sacred space for legal advice and that such advice is confidential between the legal advisers and the client.

Mr Beggs: Can you at least acknowledge that there must be some criticism of the DVA or the Department in that advice or you would be suing?

Mrs Godfrey: The legal and procurement advice is complex. I cannot get into what the legal advice says, but I absolutely assure you that it considered, on balance, what the outcome would be if the Department or the agency decided to take legal action. The view that we reached, informed by that legal advice, was that the public interest would be, on balance, best served by trying to get the situation fixed as quickly as possible and not getting into a set of legal proceedings that could be protracted and leave us in a position in which nobody could do anything, maybe for months or years.

Mr Beggs: I accept that, if you are not on strong ground, you can throw good money after bad and cause other difficulties. I understand that.

On the high levels of reserves that the DVA holds, public bodies need to hold at least a month's cash reserves for normal running. If you have capital projects in mind, you need to have money set aside

for them. I am trying to ascertain what the reasonable level of reserves for you to hold is. Is £37 million too much? Are your MOT charges too high? How do you justify holding £37 million of reserves?

Mr Logan: We built the reserves up over time because we knew that we would have to invest not only in new centres but in new equipment. Normally, our surplus position at the end of any given year is in the region of £3 million to £4 million. If you factor that against the number of vehicle tests that we do every year — over a million tests a year with the standard car test fee set at £30 — around £4 of the test fee contributes to the surplus position, but that will be reinvested in the agency so that we can ensure that we deliver a service, modernise our centres and equipment and, through our business transformation, ensure that our digital services are meeting customer expectations and improving customer experience. We have to reinvest some of that money and make sure that our service continues to be current.

Mr Beggs: My question is about how you determine the right amount. If it comes out that the level of reserves is too high, what action do you take? How do you determine that £37 million is the right amount, or will that amount just keep increasing?

Mrs Godfrey: You are absolutely right: there has to be a basis for any level of reserves. Jeremy mentioned the new test centre and depot at Hydebank, the ongoing replacement of equipment and the IT system that the agency is transforming. The costs associated with those projects alone come up to just below the working capital amount that the agency, through its creating fund requirement, is always required to keep. There is a basis for building that up, and —

Mr Beggs: Sorry, can you clarify those costs?

Mrs Godfrey: — that basis will always be the level of reserves that are needed.

Mr Beggs: Can you clarify the cost of the projects that you mentioned, please?

Mrs Godfrey: Yes: the building of the new test centre at Hydebank; the development of the new IT systems, including the booking and rostering system; the general provisions for replacements; and the working capital fee. Have I got that right, Jeremy?

Mr Logan: Yes, that is absolutely right. As for the figures, Roy, we have estimated the construction of the new test centre and the depot at Hydebank to cost around £18 million, IT development to cost £4 million and the vehicle testing equipment to cost £11 million. Those are the associated figures. I hasten to add that they are estimated figures for the investment that we will need to make going forward.

Mr Beggs: There seem to be reasonable plans ahead, so it looks as though we will not get a drop in our MOT charges.

I have one final area of questioning. You had an initial PFI contract, and, subsequently, you have had maintenance contracts on an ongoing four-year basis. How do you determine whether those are value for money or good value? How do you set a reasonable cost to those maintenance contracts, given that there is no competition?

Mr Logan: Throughout any procurement of any contract, we seek advices from one of the centres of procurement expertise (COPEs). In this case, it was Construction and Procurement Delivery. Our new contract for equipment replacement is a 10-year one. Obviously, there has to be a commercial incentive for the company to make what is a significant investment on its behalf and to maintain and service the equipment over that time. All our contracts are taken forward on the basis of the advices that we receive from CPD, and the business cases that we put forward are endorsed by the Department of Finance. When we go out to procurement, all the contracts are rigorously looked at from a value-for-money perspective, and we follow the procurement guidance.

Mr Beggs: Do you have a detailed breakdown of the reasonable cost of maintenance? Going forward, will there ever be an opportunity for competition? If you extend the contact, does it automatically go to the original company that supplied the equipment because it has the expertise and knows how that was designed? Will there be an open-design system, or will the contract simply be on a plate for whoever installs the equipment?

Mrs Godfrey: The contracts that the agency has at the moment are a good example of both. We have talked about the steps that it had to take to replace the lifts that were put out of commission, and that was a case of going to the existing supplier, having tested all the other options, as we said previously. A different supplier won the procurement contract for Hydebank. That required quite a bit of preparatory work, and Jeremy mentioned some of that briefly. I just want to reassure you that all the procurement rules are followed. Our preference is always, wherever we can without creating unnecessary risks, to go for open procurement, and the contracts are then managed in line with all the advice provided by central procurement people.

Mr Beggs: Do you accept that, if there is not an open-design system, you will not have created a situation in which there can ever be competition when it comes to extending the contract?

Mrs Godfrey: The key point is that, through the agency, there are two different contracts already. The supplier for the new centre is not the same supplier about whom we have been talking for most of this hearing. That, hopefully, gives you some reassurance that open procurement is used and results in different outcomes.

Mr Beggs: Has that changed the maintenance cost for that centre?

Mrs Godfrey: It is very early days with the equipment for the new centre. It is maybe worth saying a wee bit about the preparatory work, which had its COVID challenges as well.

Mr Logan: Roy, I do not have the figures for the new contract costs in front of me. Suffice to say that we have just set up a new test lane at Corporation Street to start to test that equipment rigorously some 18 months in advance of its being installed at Hydebank. The equipment that we have procured is from a Spanish company, and it had to come through its own COVID rigour and quarantine rigour before it was delivered. It should have been with us in September last year. Unfortunately, the COVID restrictions delayed that. Equally, the Spanish installers have been in quarantine for the last week or so and have undertaken their COVID tests. They are here to set up the hardware and software and to test that rigorously at our site on Corporation Street well in advance of its being installed at Hydebank, hopefully in September 2022.

Those are big competitions. At the time, there was a lot of interest in it across Europe. Big companies were bidding for those contracts, so there was very healthy competition, and we believe that we got a very good bid through Worldwide, the new equipment providers. There is definitely no issue with the competition and competitive nature of the supply of the equipment. There are a number of suppliers of it across the world.

Mr Beggs: OK. Thank you.

Mr Hilditch: You are very welcome, folks. I am not sure whether there is much more to ask. Were the 51 lifts that were found to be damaged in some way or another all put in at the same time? Were they all exactly the same age?

Mr Logan: They would have been put in between 2011 and 2013. Some of them would have experienced different usage during that period.

One of the things that we have touched on quite a bit today is how we assess the life expectancy of any lift or piece of equipment once it has been installed. The reality is that it is difficult. As I mentioned, the MAHA director indicated to me that lifts could last anything between five and 25 years, depending on their usage and, possibly, in what parts of the world they are installed. The key lesson for us is how we bring further intelligence to that, based on our usage, the loads on the lifts and, indeed, more rigorously inspecting the metal that gave rise to fatigue issues that ultimately took the lifts out of service. We are working very closely with MAHA and will do the same with the new equipment provider to make sure that we can provide a much better assessment of that going forward. We are very mindful that we have to manage public money carefully and get value for money out of the equipment, but we clearly cannot push it to the extent that it leaves us in the position that we found ourselves in, in January 2020, when there was disruption to the service. There is a fine balance to be struck, but we need to be assured that we can get a much better calculation of that so that the equipment will serve us and serve us well.

Mr Hilditch: Yes. You can see where I am going, Jeremy. Some pieces of equipment were two years younger than other pieces, but it all seemed to be caught at the same time. I know that you have said that there were different circumstances in each area, but, to the layperson, it looks pretty suspicious that they were all caught at the same time. I appreciate that you are addressing that point.

On the contracts, the Committee has looked at various contracts in the Civil Service over a period and has found what goes on rather alarming. This contract had been in place, was renewed and extended on various occasions and has now been extended through to 2024. I do not want to say that the agency was asleep at the wheel, but did a cosy relationship develop among some of the civil servants on your side of things and MAHA with the contract?

Mr Logan: No, I do not believe so. A lot of the planning for the equipment replacement programme at large was circumstantial. As part of our business transformation programme, we took forward work to look at refreshing the network and the equipment. That work had developed to a very detailed stage when the Assembly, unfortunately, dissolved in 2017, and we did not anticipate that the institutions would have been brought down for as long as they were. Throughout that time, we engaged with CPD to ask what the procurement strategy would be going forward and how we should manage it. Advices were always sought from that unit of central procurement expertise, and it provided us with guidance throughout on the extended time frames for the MAHA contract and how we should manage it. Indeed, CPD conducted a market-sounding exercise, and there was limited interest in providing the service at that stage. A lot of factors played into the ultimate award of direct award contracts to MAHA, but I would refute that it was in any way a cosy relationship.

MAHA had provided satisfactory service throughout in maintaining and servicing equipment. Unfortunately, the January episode has left us thinking about how we improve that. From MAHA's perspective, there is a reputational damage issue because it is a worldwide supplier of lifts to many authorities.

Mrs Godfrey: The point that you make, David, is really valid. We have addressed issues around contract management across many Departments. One of the things that we had *[Inaudible.]*

The Chairperson (Mr Humphrey): Katrina, we seem to have lost your sound.

Mrs Godfrey: Can you hear me now?

The Chairperson (Mr Humphrey): Yes.

Mrs Godfrey: Just by way of reassurance to the Committee, because we know that there can be issues with contract management, the Department's internal audit programme for 2018-19, which was just a few months before those failures started, included a specific internal audit looking at procurement contracts, contract management models and payments within the Driver and Vehicle Agency.

Knowing from experience in other Departments that there can be issues around contract management, we had subjected that very area in the agency to a specific internal audit. Reassuringly, the auditors' overall opinion was "satisfactory". In fact, they had no priority 1 or priority 2 recommendations to make. In terms of how contracts were being managed and monitored in the agency, that is the sort of thing that I would be looking for to give me assurance that cosy relationships were not being developed and used to the effect that we might not be getting the best for the public out of them.

Mr Hilditch: You said that the management had been surprised. I would have thought that, in January, the management would have been a wee bit shocked at the extent of it, to be honest.

Mrs Godfrey: Shocked is only one of many words. If you go back to the contracts as well —

Mr Hilditch: That is a bit stronger than "surprised".

Mrs Godfrey: We had just taken delivery of a new Executive and new Ministers. That was not the second week that I was planning for a brand-new Minister.

Mr Hilditch: I know.

Mrs Godfrey: You are absolutely right. For staff, customers and the agency, it was a hugely traumatic experience in that it unfolded so quickly.

Mr Hilditch: On the finances, £25 million in fees was lost to COVID. Is there a figure for the loss due to the lifts incident?

Mrs Godfrey: That is in the region of £3-9 million, Jeremy, I think. Do you have the figures to hand?

Mr Logan: Yes, that is right. We estimate that £2.95 million was lost in fee income between January and March in the aftermath of the lifts issue. In addition to that, there were costs of just under £1 million for some of the compensatory payments to customers who had their tests cancelled and other costs associated with the issuing of temporary exemption certificates. In total, it was just below £4 million, with the costs that we had identified in 2019-20.

Mr Hilditch: Did I read somewhere that there will be a reduction again in fees of 50% to customers? Is that right?

Mrs Godfrey: I wonder whether that is the compensation arrangements that the Minister put in place for the immediate weeks after the initial failure, which was 50% of the test fee for the compensation period.

Mr Hilditch: Is that included in the £3-9 million?

Mrs Godfrey: Yes, that was included in the £3-9 million.

Mr Logan: Yes. Approximately 44,000 customers received a compensation payment of £16, which is half of the fee, over the period when we had identified that disruption had occurred in the immediate aftermath of lifts being suspended. Customers were still turning up at test centres and being turned away. It was difficult to manage in those first few weeks, and there is no doubt that there was significant disruption at that stage. That compensation payment is in line with DVA policy.

Mr Hilditch: The £25 million was not just for COVID. The COVID money would have covered your losses on the lifts as well.

Mr Logan: No. Katrina made the point earlier that we were very clear that we separated that and that the cost of any of the lift disruption was borne by the agency. The COVID money that we bid for was purely down to loss of fee income because of the COVID impact, so we did not factor in any of the elements of the lift issues in COVID bids.

Mr Hilditch: Thank you. Finally, on a general question about moving forward, I know that you have capital projects and whatnot coming up. Has bringing us into line with GB and other places in Europe ever been looked at, where testing is done by the private sector and there is not a reliance on government to provide the facility?

Mrs Godfrey: Yes, that was looked at in 2015-16 as part of a review of the arrangements for the agency. It is interesting that the GB model is the outlier in European terms because most European states have either a directly provided state testing regime or a state testing regime provided under contract. The three options of having testing entirely within government, having it contracted by government or the English model were all looked at by the then Department of the Environment and the Department of Finance and Personnel. The public-sector option was chosen as the best way forward.

Mr Hilditch: Was HSB the problem in the whole set-up? Has that independent inspection given you the headache, throwing both you and MAHA off course?

Mr Logan: The independent inspection regime is dictated by the regulations, and it needs to be in place. HSB, which was contracted to MAHA, had to do those inspections. I suppose that it will reflect on the inspection regime. We have changed that now, and we have a different supplier, as I have discussed previously. It is a fundamental part of our maintenance regime, and it will remain so. It is consistent with other areas of the Department. It is very clearly stipulated in the regulations what needs to be done, and these are the experts. These are the competent authorities that provide us with

the assurance that the lifts are OK. As I said, we will work with the suppliers to see whether we can get a more rigorous assessment of the vehicle lift life expectancy and, indeed, any other equipment that we use so that we are much better informed.

Mr Hilditch: Thank you.

Ms Flynn: Thanks, Jeremy and Katrina. Almost every question that I had has been asked in one way or another, and thanks very much for all the detailed answers. A few members made this point, and, Jeremy, you touched on it in some of your responses. I think that it is probably a given that there was an issue around the quality of the welding and the checks and inspections that were being carried out. This might sound like a really obvious question, but it is one that keeps coming to my mind as we are speaking. On the basis of the poor welds and the poor inspections, which *[Inaudible]* responsibility or the work that was to be carried out by MAHA, when disaster struck, what explanation did MAHA give to you as the head of the DVA or to Katrina as the head of the Department?

Mr Logan: On the welding issue, Órlaithí, MAHA was trying to assist the DVA in ensuring that the lifts could be maintained for at least a short while until we had a plan in place. At that stage, MAHA was upfront with us and said that it believed that the lifts had reached the end of their life and that the welding repairs that it had suggested conducting were an attempt to maintain a service for a short time until we could have a slightly more planned replacement that would not have caused such disruption to our customers. That was not widespread or prolonged. It was always expected to be a short-term solution to address that concern at that time. Yes, there is no doubt that we have reflected significantly on the lessons learned from the reports and from the experiences, which were very painful for staff, the contractor and, indeed, White Young Green, which did the independent report. It is important that we look at some of the aspects of the inspection regime to make sure that they are properly covered, and they have now embedded in the inspection regimes going forward. There is a great focus on the part of the lift that showed the cracks and ensuring that that focus becomes embedded in our regimes going forward. We need to make sure that this does not happen again. It caused huge disruption, and it is not an experience that any of us wants to live through again, I can assure you.

Ms Flynn: Thanks, Jeremy. Your response is interesting. The problem with the poor quality of the welds was discussed earlier in the meeting, and that is highly concerning. The welds were always going to be a stopgap and were not going to resolve the problem. You said earlier that you are even looking at the type of metal that is being used to create the devices.

Jeremy, is the maintenance schedule set by MAHA or by DVA? How has the maintenance schedule been modified or adapted to take into account the issues that you have been dealing with over the past year or two?

Mr Logan: There is a simple answer, Órlaithí. The maintenance regime is set within the contract of the eight-weekly inspections and the six-monthly thorough examinations by insurers, and that fundamental process remains in place in the planned preventative maintenance regime. The independent reports have drawn our attention to some elements of the lifts that we should focus on more in those inspections, whether that is done by MAHA through the eight-weekly ones or through the independent insurance checks, and we have agreed the processes for the reporting of those independent inspections through our own health and safety teams, through our contract teams and through our operation. Internal controls have been put in place to ensure that the reports are coming out in a very timely way and that everybody in the agency can access them, interrogate them and raise any concerns at a much earlier stage. Again, a lot of those issues came out in the action plan that was implemented in the immediate aftermath of the lift issues. The fundamental basis of the maintenance regime has not changed. It has been refined, if that makes sense.

Ms Flynn: It does, Jeremy. Thanks very much. That brings me to my last point. You have referenced the action plan a few times during the conversation. It is good to know that that work is well under way.

Finally, Katrina, will you provide an update on the current position, from the Department's perspective, of the implementation of the recommendations from the report and how you are getting on at that end?

Mrs Godfrey: Thanks, Órlaithí. It was hugely important to me that the recommendations from both investigations were acted on by the agency. The arrangement that we have put in place is an interesting one. Normally, an agency would be expected to get on with things, but, because of the seriousness of what happened, the Department needed a level of reassurance as well. The system that we have in place is quite a detailed action plan. The Minister and I were very keen to have

absolute transparency, so we insisted on the action plan being published. Jeremy, through his audit committee, provides a monthly report to me, and, when I am satisfied, it goes to the Minister. Every three months, we publish a report.

The additional safeguard is that, as well as Jeremy's audit committee doing that, I have asked my departmental audit and risk assurance committee to scrutinise the action plan before the publication date. You sometimes find that, when people are less steeped in something, they spot things and can ask better questions. My audit committee has four independent members. They scrutinise the report after it has been through Jeremy's audit committee, and that gives us an extra degree of assurance that those of us who are so steeped in this have not missed something obvious. That allows me to give the Minister assurance on two fronts: first, that the actions that Jeremy and his team committed to are being taken forward; and, secondly, that they are being taken forward in a way that will prevent this ever happening again. As a further safeguard, my internal audit team — it is in the agency at the moment — will review the evidence behind every one of those actions. If Jeremy and his team say, "That action is completed", we say, "Show us the evidence that it is completed". That is just an additional safeguard to make sure that everything that the agency said that it was going to do is being done.

The other part worth mentioning is that it would be unwise of me to think that some of these things could happen only in the agency. The issues that a couple of members have already referred to around the contract, health and safety and even records management all now form part of the audit programme for the whole Department. There is no point in a lesson being learned in the agency and that not then being picked up and learned elsewhere.

Ms Flynn: Thank you very much.

The Chairperson (Mr Humphrey): Given that 51 of these 55 lifts were basically put out of use, it is fair to say that, if DVA were a private company, it would have been closed, is it not?

Mr Logan: Do you mean because of service disruption?

The Chairperson (Mr Humphrey): Yes, because no service was provided.

Mr Logan: Absolutely. It was a sobering decision to make. It was the right decision to make, for all the right reasons, on health and safety grounds. However, as I say, we need to look forward and ensure that the actions that we take make sure that this does not happen again. As we talked about, we placed huge reliance on the planned preventative maintenance regime and the condition surveys that were carried out on those lifts. That is the assurance. We now need to apply, and are applying, more rigour to that regime to ensure that we have confidence that those lifts, and other testing equipment, will be serviceable and not result in disruption to our overall service delivery.

The Chairperson (Mr Humphrey): I am pleased to hear that, as you have said a number of times during the meeting, Jeremy, you are looking to the future, and that is encouraging. However, you have to understand that the work of this Committee is also to look at how we got to that point in January last year. I want to explore with you a number of crucial issues before your evidence session comes to an end. Are MOTs distributed equally across the centres in Northern Ireland?

Mr Logan: In terms of the number carried out at each test centre?

The Chairperson (Mr Humphrey): Yes.

Mr Logan: No, some test centres are significantly larger than others. For example, Newtownards is a significant centre for private goods vehicles and cars. Some centres have two heavy lanes. There are different sizes. We classify them as small, medium and large sites across the Province.

The Chairperson (Mr Humphrey): As someone who worked in the private sector, I am led to wonder why 51 of 55 had to be replaced when distribution is not equal across those centres.

Am I right in saying that MAHA was appointed because of the product that it produced and installed? Did the maintenance come as part of the contract when the lifts were bought in 2011 and 2013?

Mr Logan: Yes, I believe so. The supply and maintenance of the contract go hand in hand. MAHA serviced that for us.

On the distribution of MOTs, some test centres have fewer lanes. It is very difficult to be exact about the number of lift cycles that each lift in every centre makes. We are investing in the lift cycle counters so that we get a better sense of that. We certainly have figures for how many vehicles go through each test centre. However, that extra bit of management information will certainly help us to plan and do an accurate assessment of the vehicle equipment.

The Chairperson (Mr Humphrey): I will come to that in a moment. Was MAHA's initial contract for maintenance for the entire lifespan of these lifts, or was it for one year, two years, three years, five years or whatever? How long was that for?

Mr Logan: It was for the duration of the contract. That contract has been extended since and is currently in place until 31 March 2024.

The Chairperson (Mr Humphrey): The DVA was not keeping a record of the numbers of cars being tested, the types of vehicles being tested, the quantities or the tonnages. All of that information is crucial to maintenance.

Mr Logan: As I say, we relied on the planned preventative maintenance regime that was put in place. Katrina has mentioned that some of the internal audit reports of the management of the contract did not flag up any issues. On the basis of the condition reports and the outcome of the inspections that had been conducted, at no point was DVA management aware that this significant problem was about to manifest itself, and, indeed, so quickly.

The Chairperson (Mr Humphrey): Given the nature of these products and the fact that they have to carry out a number of tests each year and that tonnages are critical to that, I have to say that the failure to keep those records is an indictment of the DVA and, ultimately, led to the situation that unfolded.

Is MAHA also doing the maintenance of the new lifts that have been put in place? Is that another fixed contract or is it time-bound?

Mr Logan: Yes. MAHA has the current contract for the lifts installed at our test centres. MAHA will maintain that equipment for us until March 2024. The new equipment provider will supply equipment to our new test centre at Hydebank, and there will be a roll-out of its equipment once the MAHA contract expires. The Worldwide Environmental Products equipment contract will kick in. Worldwide will then be responsible for the future replacement of all equipment across our test centres and the maintenance of that equipment.

The Chairperson (Mr Humphrey): Do you have confidence in MAHA's carrying out those maintenance tests? I suppose that it is still on an eight-weekly basis.

Mr Logan: Yes. We have confidence in the regime. We believe that the actions put in place following the lessons learned have strengthened the internal controls and brought more rigour. There is also the application and management of the cycle counters. Can we assess the load of the vehicle on the counters? We are working with MAHA to see whether that is feasible using the software that it has introduced. We will also look at other aspects of how we can test the integrity of the very elements of the lift that caused the problem of metal fatigue. Those are all areas that we will look to take forward to give us absolute assurance and a more accurate estimate of the lifespan of these lifts. We will also do that with the new equipment provider.

The Chairperson (Mr Humphrey): In answer to an earlier question that I asked you, you talked about bringing in a competent authority to carry out tests when the faults manifested themselves at the start. MAHA brought in a subcontractor to carry out work because, clearly, MAHA was not up to doing that work.

Mr Logan: The competent authority is the insurance inspection. It carries out the inspections under LOLER. That remains the case, albeit that that thorough examination by the competent authority now comes back to DVA. We manage that contract separately. I think that that contract was put in place on 1 May 2020, and that comes back to us now. It is the competent authority. It has the engineers, and it

understands the equipment. That is not a service that we could have brought in-house. We have the contract in place for that to be taken forward. That will also be the case with the new contract.

The Chairperson (Mr Humphrey): I think that I picked up earlier, Jeremy, that the insurance company carried out tests twice a year. Is that right?

Mr Logan: Yes, it is a six-monthly inspection.

The Chairperson (Mr Humphrey): None of its tests in the run-up to this debacle revealed these fissures in the machinery.

Mr Logan: No. That is correct. There was no indication. I have no doubt that there will have been issues with equipment that will need to have been repaired, but there was no indication of this widespread issue.

The Chairperson (Mr Humphrey): Some of these tests might have been carried out weeks before these issues manifested themselves, yet the inspections of this competent authority never revealed that there were faults in 51 of 55 lifts.

Mr Logan: The issue did not manifest itself in inspections right up until the first cracks were identified in March. It was really only after that that the issue unravelled.

The Chairperson (Mr Humphrey): Given that the lifespan of those lifts was between five and 25 years and that there was an unequal distribution across centres of the number of cars and the tonnages, why was there not a phased replacement of those lifts? Some were installed in 2011; some were installed in 2013. Any private company would install them over the lifespan and write them off over that number of years. Why was that not done by the DVA?

Mr Logan: It goes back to the wider issue of our plans to upgrade the network and replace equipment. As I said, we had plans at an advanced stage to take forward that piece of work at the end of 2016. Unfortunately, with the Assembly collapsing at that point, we did not get the final funding approval for that work to be taken forward. That said, we had a plan to replace equipment. At that point, we had to go back to Construction and Procurement Delivery to ask how we should take this forward to manage the lifts for the remainder of the contract. Essentially, the advice that we took from CPD was that we should continue to manage it under the maintenance regime and replace any of the lifts that needed to be replaced during that time, which the contract provided for. We did not expect all of the lifts to manifest the same fault at the same time and to need to be replaced, which had such an impact on our service delivery.

The Chairperson (Mr Humphrey): Jeremy, your answer has strengthened my point. There should have been a phased replacement of the lifts. Had this happened at the beginning of 2018, for example, when no Ministers were in place, the permanent secretary or the Secretary of State would have had to make a decision because we would have had a situation where 51 out of 55 lifts were not operating, and MOTs were not being carried out in Northern Ireland. I have heard the collapse of the institutions used as an excuse for many things but not for the non-replacement of lifts in MOT centres. I am amazed that there was not a phased replacement scheme. That is exactly what should have happened. That should be in place going forward.

What were the DVA's reserves prior to what happened last year? Is it right that they were £35 million?

Mr Logan: As of 1 April 2020, the reserves were £37.8 million.

The Chairperson (Mr Humphrey): What moneys did you get throughout the year from the Department of Finance, whether COVID-related or otherwise?

Mr Logan: We received approximately £31 million through COVID funding, which was due to a loss of fee income, primarily because of vehicle testing but also driving tests and some other smaller elements. We got an extra £10 million through non-COVID funding to replenish reserves that had been removed from the agency in 2008-09.

The Chairperson (Mr Humphrey): Is that £41 million on top of reserves that were £37.8 million?

Mr Logan: No. The reserves had been drawn down because of the loss of fee income from tests.

The Chairperson (Mr Humphrey): OK. I am coming to that. What was the overall loss in fees?

Mr Logan: We estimated the loss of income from fees at just under £31 million. That was the bid that we put forward in terms of the estimates. I hasten to add that they are estimates; we will not know the impact of that until we finalise our accounts, which will be completed around June.

The Chairperson (Mr Humphrey): So, you had £37.8 million. You had £31 million and another £10 million, and you lost £31 million through a loss of income from fees and whatever. Yes?

Mr Logan: Yes.

The Chairperson (Mr Humphrey): So, for the investment of £1.8 million, the public purse of Northern Ireland lost £31 million. Given the pressures across the Department of Infrastructure, such as those that Translink is under, £31 million would go some way to replacing its rolling stock and fleet of trains and buses.

Mrs Godfrey: It might be worth clarifying the distinction: the £31 million relates only to COVID. Therefore, the £31 million relates to the income lost as a result of COVID. As Jeremy said earlier, quite rightly, the agency kept, and the Department required it to keep, completely distinct the losses that were due to the lift failures and to ensure that they did not in any way muddy the waters in relation to COVID.

The Chairperson (Mr Humphrey): OK.

Mrs Godfrey: Therefore, the £31 million is the loss due to COVID, not the loss due to lift failures.

The Chairperson (Mr Humphrey): What was the loss due to lift failures, then?

Mr Logan: The loss due to lift failures was indicated to be £2.95 million between January and March 2020. Then, there was another loss of just under £1 million, which, as I explained earlier, was for compensation payments and the management of the temporary exemption certificates process.

The Chairperson (Mr Humphrey): So, it was close to £4 million?

Mr Logan: It was close to £4 million in 2019-2020, yes.

The Chairperson (Mr Humphrey): OK. Katrina, you said that you have your own audit committee. Is that right?

Mrs Godfrey: That is right, yes.

The Chairperson (Mr Humphrey): There are four independent members of that audit committee.

Mrs Godfrey: Yes.

The Chairperson (Mr Humphrey): Who are those members? What is the make-up of that audit committee, and how are the independent members appointed?

Mrs Godfrey: In common with all Departments, there are two different types of member. All Departments have one or two independent board members who sit on their departmental boards. They are appointed through open competition. Two members — the chair and one of the members — of my audit committee were appointed to the departmental board through open competition. Most other Departments have one other member who generally comes from another Department but has an accounting background. In our case, we had some high-quality interest and took the decision to appoint not one but two, so I have two members who were appointed through an external recruitment process and two members from other Departments in the Civil Service. That is the common model across all Departments.

The Chairperson (Mr Humphrey): Perhaps you could furnish the Clerk with the names of those people, if you would not mind.

Mrs Godfrey: Yes, certainly. There is no difficulty with that at all.

The Chairperson (Mr Humphrey): My final point is that, as a Committee, we are disappointed at the failure to see the legal advice. I accept the point that you made earlier about precedent and so on. However, with regard to openness and transparency, I would have thought that, in the current context, it would have been good to see that. However, we are where we are.

Unless any member has another question, that concludes this session. I thank Katrina and Jeremy for their time with us this afternoon and their candour in answering questions. Thank you both very much indeed.

Mrs Godfrey: Thank you, Chair.

Mr Logan: Thank you, Chair.

The Chairperson (Mr Humphrey): Mr Donnelly and Mr Stevenson, from your perspective, are there any points that you would like to make before our guests leave?

Mr Kieran Donnelly (Northern Ireland Audit Office): No, Chair.