



cutting through complexity

NZ Transport Agency

Independent Review of Driver
Licensing End-to-End System Integrity

7 June 2016





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7 June 2016

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Dear Celia

Independent Review of Driver Licensing End-to-End System Integrity

We are pleased to present the findings of our Independent Review of Driver Licensing End-to-End System Integrity.

Our findings relate to the work performed in accordance with our Engagement Letter dated 5 April 2016. The report is based on our observations from our fieldwork that was completed between 6 April and 6 May 2016.

We thank the team at the NZ Transport Agency for its input to this engagement. Should you have any queries with respect to this report, please contact Greg Davies or me.

Yours sincerely

Souella Cumming
Partner



Disclaimers

Inherent Limitations

This report has been prepared in accordance with our Engagement Letter dated 5 April 2016. Unless stated otherwise in the Engagement Letter, this report is not to be shared with third parties. However, we are aware that you may wish to disclose to central agencies and/or relevant Ministers' offices elements of any report we provide to you under the terms of this engagement. In this event, we will not require central agencies or relevant Ministers' offices to sign any separate waivers.

The services provided under our engagement letter ('Services') have not been undertaken in accordance with any auditing, review or assurance standards. The term "Audit/Review" used in this report does not relate to an Audit/Review as defined under professional assurance standards.

The information presented in this report is based on that made available to us in the course of our work. We have indicated within this report the sources of the information provided. Unless otherwise stated in this report, we have relied upon the truth, accuracy and completeness of any information provided or made available to us in connection with the Services without independently verifying it.

No warranty of completeness, accuracy or reliability is given in relation to the statements and representations made by, and the information and documentation provided by, NZ Transport Agency management and personnel consulted as part of the process.

Third Party Reliance

Other than our responsibility to NZ Transport Agency, neither KPMG nor any member or employee of KPMG undertakes responsibility arising in any way from reliance placed by a third party on this report. Any reliance placed is that party's sole responsibility.

Our report was prepared solely in accordance with the specific terms of reference set out in the engagement letter agreed dated 5 April 2016 between ourselves and NZ Transport Agency and for no other purpose.

KPMG expressly disclaims any and all liability for any loss or damage of whatever kind to any person acting on information contained in this report, other than NZ Transport Agency. Additionally, we reserve the right but not the obligation to update our report or to revise the information contained therein because of events and transactions occurring subsequent to the date of this report.

Internal Controls

Due to the inherent limitations of any internal control structure it is possible that errors or irregularities may occur and not be detected. Our procedures were not designed to detect all weaknesses in control procedures as they are not performed continuously throughout the period and the tests performed are on a sample basis. As such, except to the extent of sample testing performed, it is not possible to express an opinion on the effectiveness of the internal control structure.



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1 Executive Summary

Background

The NZ Transport Agency (the Transport Agency) administers a number of national systems associated with regulatory frameworks for safe road use, safe road vehicles and road transport revenue collection. One of those systems is the driver licensing system, which ensures people who drive motor vehicles are qualified and competent to do so.

To deliver cost-effective and customer-friendly regulatory services that are consistent with regulatory best practice, the Transport Agency outsources some of its regulatory services through a range of agents. These agents operate on the Transport Agency's behalf to provide services related to driver licensing and driver licence testing, road user charges, vehicle certification and motor vehicle licensing and registration.

Objectives

The objectives of the end-to-end review were to:

- assess controls in place, or that should be in place, to protect the integrity of the Driver Licensing system and detect breaches to the integrity of the system
- make recommendations on the types of controls that should be in place or improvements that can be made to existing controls to make them more robust.

The review was designed to provide independent assurance to senior management, the Transport Agency Board and the Minister of Transport, that the driver licensing system is governed, managed and controlled in a way that ensures its integrity.

Conclusion

Overall, we conclude that the control environment over the end-to-end driver licensing system is **Not Effective**¹.

We identified control gaps and weaknesses throughout all aspects of the end-to-end driver licensing process. Individually, these gaps and weaknesses present a certain level of risk. However, it is when these gaps and weaknesses are viewed holistically that the risks increase, as this increases the opportunity for the system to be exploited.

The key causes of these gaps and weaknesses include a:

- poor contract structure and weak contract management processes that are not fit-for-purpose
- lack of effective, robust controls, which in some instances have been reduced in favour of a greater focus on customer service
- lack of automation between various IT systems and limited use of systems controls (to prevent errors occurring) and data analytics (to proactively detect errors [REDACTED])
- lack of robust, formal quality assurance processes to monitor and manage performance.

¹ We have used the Transport Agency's control environment rating definitions (refer to Appendix 1) and risk rating definitions (refer Appendix 2).

We have made a range of recommendations to strengthen the Transport Agency’s first (operational controls) and second (management assurance) lines of defence (refer section 3 Three Lines of Defence).

Summary of Findings

The following table outlines the number and risk rating of the findings identified during the review.

Risk Rating (refer Appendix 2)	Critical	High	Moderate	Low
Number of Findings	0	10	12	6

Refer to section 4 for a summary table of findings. Refer to section 5 for detailed findings.

High Risk Findings

We identified the following ten high risk findings:

- 1 Contracts are not fit-for-purpose (finding 1.1)** – the construction of the Driver and Vehicle Licensing Transaction Services contracts are not fit-for-purpose. KPIs do not link to desired contract outcomes, and are not well defined and difficult to measure. [REDACTED]
- 2 Ineffective contract management processes (1.2)** – contract management processes to hold agents to account and to address performance issues are ineffective.
- 3 Ineffective quality assurance processes for monitoring third parties (1.3)** – there is a lack of effective quality assurance processes. Where quality assurance processes exist, they are often limited in scope and coverage.
- 4 Lack of use of data and analytics to identify trends and [REDACTED] (1.4)** – there are no formal, structured processes in place to proactively review data to identify trends or [REDACTED].
- 5 Ability to determine validity of overseas documents, particularly driver licences (refer section 2.1)** – staff processing overseas driver licenses do not have sufficient knowledge or tools to ensure the validity of the documents.
- 6 Manual application process (2.2)** – the driver licensing application process is manual and time consuming, leading to rework and errors.
- 7 Use of generic IDs when resulting practical tests (4.1)** – practical tests can be resulted to a generic Testing Officer in the Driver Licence Register (DLR). As a result, it is difficult to determine which Testing Officer conducted the test and whether that Testing Officer held the appropriate endorsements.
- 8 Limited assurance over course providers (5.1)** – there are limited processes in place to ensure that course providers conduct courses in line with Transport Agency requirements.
- 9 Non-compliance with exemption process for accepting courses instead of practical tests for overseas conversions (7.1)** – Acceptance of a course instead of a practical test for overseas conversions to heavy vehicle licences led to non-compliance with legislative requirements.
- 10 Lack of decision-making framework for exemptions (7.2)** – there is no formal decision-making framework to guide decisions when granting exemptions. Staff are reliant on using previous knowledge/experience when making decisions.

2 NZ Transport Agency Response

The Transport Agency commissioned the Independent Review of Driver Licensing System End-to-End Integrity as part of our response to identify fraud activity at a driver licensing site in Auckland.

Driver licensing plays an important role in helping people to stay safe on New Zealand roads. The driver licensing system has more than three million customers; it therefore needs to be accessible, affordable and trusted.

Driver licensing fraud has the potential to undermine both safety and customer trust in the driver licensing system. It is therefore important that we identify any risk factors that might be enabling fraudulent activity and address them.

The findings of the Independent Review of Driver Licensing End-to-End Integrity provide valuable insights in this regard. The overall finding of the need to strengthen the effectiveness of the controls confirmed, and provided additional perspective on, our own internal assessments of risk factors.

System improvements that address some of the risk factors identified were already underway at the time this review was undertaken; for example, changes to the way third party agent contracts are structured, monitored and managed. The independent reviewer's acknowledgement that we are on the right track with this work is affirming.

Actions to remove or reduce the impact of the other risk factors identified are also in place; for example, increased scrutiny of identity and licensing documents used by customers to support licensing processes and more training for staff involved in these tasks. The insights gathered by the review team have assisted us to ensure these are properly positioned.

For some of the risks, the remedial actions are short-term, with more enduring solutions in development. When designing and putting in place enduring solutions, we consider it critical that we do not inadvertently make it difficult or costly for the three million customers that interact with our systems responsibly to complete their licensing activities.

Our goal is to continue to deliver a driver licensing system that is accessible, affordable and trusted by our customers, and that equips people with the skills and knowledge they need to stay safe on the road.

3 Three Lines of Defence

This review identified gaps with the Transport Agency’s control environment across all Three Lines of Defence.

The Three Lines of Defence Model

The Three Lines of Defence Model helps organisations ensure that there are appropriate controls in place to manage risk. The diagram below illustrates the Three Lines of Defence Model.

3rd Line Independent Assurance	Responsible for providing independent assurance over 1 st and 2 nd Line activities.
2nd Line Oversight Functions	Responsible for setting standards and monitoring to ensure achievement of desired outcomes.
1st Line Business Operations	Responsible for maintaining effective internal controls and for executing risk and control procedures on a daily basis.

Key Control Gaps with the Three Lines of Defence Model

The following table highlights the control gaps identified within the driver licensing system across all Three Lines of Defence.

Line of Defence	Control Weaknesses/Gaps – (Findings Reference)
3 rd Line	<ul style="list-style-type: none"> ■ Integration with agent’s Internal Audit programme (1.3)
2 nd Line	<ul style="list-style-type: none"> ■ Contract effectiveness (1.1) and contract management (1.2) ■ Lack of effective quality assurance processes (1.3, 1.5, 5.1, 5.2, 6.1, 7.4) ■ Lack of use of data and analytics to monitor and inform decision-making (1.4) ■ Lack of exemption decision-making framework (7.2) ■ Monitoring of compliance with exemption processes (7.1) ■ Oversight of training provided by agents (2.4)
1 st Line	<ul style="list-style-type: none"> ■ Ability of staff to validate foreign documentation (2.1) ■ Lack of validation controls (2.3) and quality of agent checking processes (2.2) ■ Manual process/lack of automation (2.2, 2.7, 3.1, 4.2) ■ Adequacy of theory testing environment (3.2) ■ Use of generic user IDs when resulting practical tests (4.1) ■ Lack of retention of supporting decisions (2.5, 7.3)

4 Summary of Findings

The table below provides a summary of findings by review area. Refer to section 5 for detailed findings

No.	Heading	Risk Rating
1. Monitoring Processes		
1.1	Contracts are not fit-for-purpose – Insufficient controls within the contract to drive and improve performance. KPIs do not link to desired contract outcomes, are not well defined and difficult to measure. [REDACTED]	High
1.2	Ineffective contract management processes – Contract management processes to hold agents accountable and to address performance issues are ineffective.	High
1.3	Lack of effective quality assurance processes for monitoring third party performance – Existing quality assurance processes for third party performance are often limited in scope and coverage.	High
1.4	Lack of use of data and analytics tools to identify trends and [REDACTED] – No formal, structured processes in place to proactively review data to identify trends or [REDACTED]	High
1.5	Effectiveness of agent Site Visit Compliance Reviews – Agent site visit compliance reviews are limited in scope and coverage to drive performance improvement.	Moderate
2. Application Processing		
2.1	Ability of staff to determine validity of overseas driver licences and identity documentation – Staff processing overseas driver licenses do not have sufficient knowledge or tools to ensure the validity of the documents.	High
2.2	Manual application process leads to rework and errors – The driver licensing application process is manual and time consuming, leading to rework and errors.	High
2.3	Lack of automated validation controls in DLR – Limited system validation controls built into DLR to flag potential errors, suspicious transactions or duplicate information.	Moderate
2.4	Lack of oversight of agent training processes – The Transport Agency has no oversight of training provided to agent staff.	Moderate
2.5	Copies of identification documentation provided are not retained – Copies of identification provided during the driver licensing application processes are not retained and cannot be independently verified.	Moderate
2.6	Timeliness of review of data accuracy and production of licence – If a licence is identified as having an error, it is often too late to stop the physical production of the driver's licence.	Low
2.7	Lack of automatic linkage between DLR and the image capture equipment increases errors – No automatic link between the DLR and image capturing equipment increase likelihood of errors.	Low
2.8	User access management to DLR – User access rights to DLR are granted before agent staff are certified to use DLR system. [REDACTED]	Low

No.	Heading	Risk Rating
3. Theory Testing		
3.1	Manual recording of theory test results in the DLR – Theory test results in the DLR are not validated against the Computerised Theory Testing system (CTT).	Moderate
3.2	Adequacy of theory testing environment – Insufficient processes to ensure that theory tests are conducted in adequate testing environment.	Moderate
3.3	Lack of timely version updates of CTT by agents – CTT version updates are not performed by some agents in a timely manner.	Low
4. Practical Testing		
4.1	Use of generic IDs when resulting practical tests in DLR – No system controls, or monitoring and follow-up procedures in place, to stop agents from using generic IDs when resulting practical tests in DLR.	High
4.2	Manual recording of practical test results in DLR leads to errors – Manual nature of recording test result in DLR increases likelihood of errors.	Moderate
5. Course Providers		
5.1	Limited assurance over course providers – Limited capacity to ensure that course provider services are being delivered to the Transport Agency’s required standards.	High
5.2	Lack of centralised oversight to ensure consistency of audits across regions – Lack of management oversight of the audit process to ensure its quality and consistency across regions.	Moderate
5.3	Large number of course providers increase difficulties providing adequate oversight – Large number of course providers impacting ability to provide adequate oversight.	Low
6. Testing Officers and Others		
6.1	Limited assurance whether testing officers are conducting tests in accordance with Transport Agency’s standards – [REDACTED].	Moderate
6.2	Limited ongoing Assurance over Driving Instructors – No ongoing training or review to ensure that Driving Instructors maintain up-to-date knowledge of the road code or driving techniques.	Low
7. Exemptions		
7.1	Lack of compliance with the exemption requirement for accepting courses instead of taking practical tests – Acceptance of a course instead of a practical test for overseas conversions to heavy vehicle licences led to non-compliance with legislative requirements.	High
7.2	Lack of formal decision-making framework for exemptions to guide staff – No framework to guide staff with the decision making process for exemptions.	High
7.3	Lack of documentation to support decisions made – Insufficient documentation to justify decisions made for exemptions.	Moderate
7.4	Lack of structured quality assurance programme for exemptions – No formal quality assurance programme for exemptions.	Moderate
7.5	No distinction between exempt and non-exempt countries for exemption to reduce wait period in order to gain endorsements – No separate guidelines for exemptions for overseas driving experience from a non-exempt countries to reduce wait period to gain endorsements.	Moderate

5 Detailed Findings and Recommendations

The following table details our findings and recommendations.

Monitoring Processes					
No.	Heading	Findings	Risk/Impact	Risk Rating	Recommendations
1.1	Contracts are not fit-for-purpose.	<p>The construction of the Driver and Vehicle Licensing Transaction Services contracts are not fit-for-purpose.</p> <p>There are insufficient controls, such as [REDACTED] within these contracts to drive and improve supplier performance. There are a range of contractual requirements within the contract that are ambiguous or poorly defined. How these requirements will be monitored and enforced has not been appropriately considered.</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>KPIs are not linked to [REDACTED]. As a result it is difficult to use these KPIs as leverage to improve performance. A “cost claw back” clause exists but is poorly defined and would be difficult to measure and enforce.</p> <p>Additionally, the contract for Driver Licence Production and Processing suffers from the same weaknesses as described above.</p> <p>The contract with [REDACTED] does have well defined KPIs that are linked to performance pay and should be used as an example for other contracts.</p>	<p>Agent performance may not meet expectations.</p> <p>Insufficient and ineffective controls within the contract to drive performance or to correct performance issues.</p>	High	<p>Review existing contracts to ensure that:</p> <ul style="list-style-type: none"> ■ contract outcomes are explicit ■ contractual requirements and KPIs are clearly defined and linked to desired outcomes (this includes how they will be measured, monitored and enforced) ■ achievement links KPIs to performance pay.

Monitoring Processes

No.	Heading	Findings	Risk/Impact	Risk Rating	Recommendations
1.2	Ineffective contract management processes.	<p>The Transport Agency's processes for ensuring agent performance meets contractual obligations and expectations are not effective. A range of monitoring and auditing programmes are in place. However, they lack any real 'teeth' and are ineffective in motivating agents to perform or to drive performance improvements.</p> <p>Processes for monitoring performance are disconnected and spread across the Transport Agency. Where performance issues have been identified, there has been no formal process for logging and tracking issues through to resolution.</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p>	<p>Desired outcomes are not achieved.</p> <p>Performance and contractual issues identified are not effectively rectified.</p>	High	<ol style="list-style-type: none"> 1. Review contract management roles, responsibilities and processes. 2. Implement formal processes for tracking and follow-up of identified performance issues. 3. Develop a centralised issue and follow-up register to identify systemic issues or trends. 4. Implement contractual terms that are focused on achieving desired outcomes and provide sufficient tools (e.g. incentives) to drive agents' performance.

Monitoring Processes

No.	Heading	Findings	Risk/Impact	Risk Rating	Recommendations
1.3	Lack of effective quality assurance processes for monitoring third party performance.	<p>Across all aspects of the end-to-end driver licensing process there is a lack of effective quality assurance process for monitoring third party performance. This includes agents, Testing Officers, Driving Instructors and Course Providers.</p> <p>[REDACTED]</p> <p>[REDACTED] However, these requirements are not clearly defined leading to inconsistencies [REDACTED] in the level of checking performed. The Transport Agency does not have sufficient monitoring processes in place to ensure that [REDACTED] checks are being performed.</p> <p>Where quality assurance processes do exist, they are often limited in scope and coverage. This is largely due to limitations in resources or due to the manual nature of processes.</p> <p>Quality assurance processes are spread across the Transport Agency with no central oversight to ensure that quality assurance processes:</p> <ul style="list-style-type: none"> ■ provide sufficient coverage ■ are risk-based ■ are supported by a quality assurance framework ■ are appropriately resourced in terms of capacity and capability. <p>The contracts require agents to have audit and quality assurance programmes. However, there is limited understanding within the Transport Agency about what audit or quality assurance activities are being undertaken by the agents.</p>	Quality assurance processes are ineffective.	High	<ol style="list-style-type: none"> 1. Conduct a holistic review of existing quality assurance processes to ensure alignment with: <ul style="list-style-type: none"> ■ organisation objectives ■ desired contractual outcomes ■ key risks. 2. Clearly define quality assurance requirements, including those expected to be performed by agents. 3. Engage with agents' quality assurance teams to gain a full understanding of assurance activities to ensure adequacy of coverage and avoid duplication. 4. Develop a risk-based quality assurance framework for monitoring of key activities performed by third parties. 5. Review the appropriateness of existing resourcing of quality assurance functions.

Monitoring Processes

No.	Heading	Findings	Risk/Impact	Risk Rating	Recommendations
1.4	Lack of use of data and analytics tools to identify trends and suspicious transactions.	<p>The Transport Agency does not use continuous monitoring to identify trends or [REDACTED]</p> <p>The DLR logs a significant amount of transactional data. However, this is not being utilised in a pro-active manner to provide information to decision-makers.</p> <p>The effective use of data and analytics can provide insights and help identify potential issues before they become crises.</p> <p>Examples of data and analytics that could be performed include:</p> <ul style="list-style-type: none"> ■ [REDACTED] ■ [REDACTED] ■ [REDACTED] ■ [REDACTED] ■ [REDACTED] 	<p>Unable to anticipate and respond effectively to unusual trends or transactions.</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p>	High	<p>Develop and implement a continuous monitoring programme, using data and analytics to:</p> <ul style="list-style-type: none"> ■ [REDACTED] ■ [REDACTED] ■ [REDACTED] ■ [REDACTED] ■ [REDACTED]

Monitoring Processes

No.	Heading	Findings	Risk/Impact	Risk Rating	Recommendations
1.5	Effectiveness of [REDACTED] Site Visit Compliance Reviews.	<p>[REDACTED] Site Visit Compliance Reviews are limited in their effectiveness in terms of both their focus and coverage. These reviews are focused on compliance with business processes as opposed to performance effectiveness.</p> <p>There are limited resources assigned to conduct [REDACTED] Site Visit Compliance Reviews, resulting in a very small sample of agent outlets being reviewed each year.</p> <p>Results of these reviews are reported. However, the results do not impact [REDACTED] and therefore have little impact on improving performance (refer finding 1.1 Contracts are not fit-for-purpose).</p>	Reviews are not effective in driving performance improvement.	Moderate	<ol style="list-style-type: none"> 1. Review the approach for conducting Site Visit Compliance Reviews to ensure they are risk-based (in terms of coverage and scope) and align with organisational objectives (refer finding 1.3). 2. Review the capability and capacity of those resources assigned to perform these reviews to ensure adequate coverage across the [REDACTED].

Application Processing

No.	Heading	Findings	Risk/Impact	Risk Rating	Recommendation
2.1	Ability of staff to determine validity of overseas driver licences and identity documentation.	<p>There are insufficient tools and processes in place to ensure the validity and accuracy of overseas driver licences and identity documents.</p> <p>Overseas driver licences and identity documents are presented to counter staff when an overseas driver is applying for, or converting to, a New Zealand driver licence. Counter staff are required to make a judgment call as to the validity of these documents.</p> <p>Counter staff are able to call a Customer Service Representative (CSR) for guidance (and this is a requirement for licences from non-exempt countries). However, this is not enforced by the system.</p> <p>Counter staff and CSR do not have sufficient knowledge and tools to enable them to make good quality decisions. There is no clear guidance on when to decline a document. There are no resources available to counter staff (such as example licences), and CSR has limited resources to assist in their decision making.</p> <p>CSR may refer an overseas licence to a team leader who has access to some tools (e.g. [REDACTED] that is maintained and updated within the Transport Agency). However, there is no clear escalation process within the contact centre for when a team leader needs to be involved.</p> <p>Additionally, it can be difficult for staff to determine whether an overseas licence holder holds the appropriate class of licence that they are applying for. This is due to the large variety of overseas driver licences and the way in which foreign jurisdictions classify their vehicle classes, which may be inconsistent with New Zealand classifications.</p>	<p>New Zealand driver licences may be issued based on invalid or fraudulent overseas documentation.</p> <p>Overseas drivers may apply for a licence class to which they are not entitled.</p>	High	<p>Review appropriateness of processes for processing overseas identity documentation, considering:</p> <ul style="list-style-type: none"> ■ who is best placed to determine the validity of overseas documents (e.g. use of experts rather than reliance on counter staff and CSR) ■ what tools, guidance and training are provided to staff to help aid their decisions and to ensure consistency in the decisions making process ■ processes for escalating documents to senior staff members/experts for review.

Application Processing

No.	Heading	Findings	Risk/Impact	Risk Rating	Recommendation
2.2	Manual application process leads to rework and errors.	<p>The driver licence application process is manual and time-consuming, leading to errors and rework.</p> <p>Applicants manually complete application forms and present these at the agent's counter for processing. Counter staff then manually key the applicants information into the DLR.</p> <p>Counter staff are required to check completeness and accuracy of the form before entering information into DLR. [REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>In addition, there are minimal validation controls built into the DLR to ensure accuracy of inputs (see finding 2.3 Lack of automated validation controls in DLR).</p>	Erroneous or incomplete information is entered into the DLR.	High	<ol style="list-style-type: none"> 1. Define the requirements for agents to perform checks on information entered into the DLR. This could include requiring agents to perform a secondary review of all applications processed on a daily basis. 2. Implement a process to ensure agent checks are performed to the desired requirement. 3. Implement an online application process that is linked to the DLR and allows applicants to enter information and confirm the accuracy and completeness of the application within the DLR.

Application Processing

No.	Heading	Findings	Risk/Impact	Risk Rating	Recommendation
2.3	Lack of automated validation controls in DLR.	<p>There are limited system validation controls built into DLR to flag potential errors, suspicious transactions or duplicate information.</p> <p>Validation controls are used to ensure that data entered follows a pre-defined format or meets certain conditions.</p> <p>The DLR will not allow agents to create an account against an existing driver licence number. However, there are minimal other controls in place to prevent errors or duplicate information.</p> <p>For example, validation controls could be used to ensure that:</p> <ul style="list-style-type: none"> ■ [REDACTED] ■ [REDACTED] ■ address checking is completed to ensure that only valid addresses are input. <p>[REDACTED]</p> <p>[REDACTED] Duplication checks could be used to identify duplicate:</p> <ul style="list-style-type: none"> ■ applicants/driver licence holders ■ [REDACTED] <p>We acknowledge that it may be difficult to develop automated validation control to detect some of the potential issues noted above. Overseas driver licences, for example, may not have standardised numbering formats.</p>	Not having automatic validation control in the system increases the risk of processing driver licences with erroneous information and creating duplicate driver licences/records.	Moderate	Investigate the use of an automatic validation control to flag potential errors and duplicate records.

Application Processing

No.	Heading	Findings	Risk/Impact	Risk Rating	Recommendation
2.4	Lack of oversight of agent training processes.	<p>The Transport Agency has no oversight of training provided to agent staff. [REDACTED]</p> <p>[REDACTED] The Transport Agency relies on the agents to deliver appropriate training and ensure staff have the competencies required to deliver driver licensing services.</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>The Transport Agency does not perform any monitoring to ensure that all users are certified.</p>	[REDACTED] staff are not properly trained to accurately and competently process driver licence applications.	Moderate	<ol style="list-style-type: none"> 1. Implement a process where the Transport Agency approves agent training programmes and materials. 2. Conduct periodic reviews of training material to assess the quality of content and ensure that adequate training is provided, both initially and on an ongoing basis. 3. Implement a monitoring and quality assurance programme to ensure that all DLR users have been appropriately trained.
2.5	Copies of identification documentation provided are not retained.	<p>Copies of identification provided during the driver licensing application processes are not retained. Therefore, this documentation cannot be independently verified as part of end-of-day or spot checks.</p> <p>Applicants are required to present one or two acceptable forms of evidence of identity. Agents record identification details in DLR, but no copies are kept to validate the receipt of identification.</p> <p>Copies of foreign driver licences are retained for overseas conversions.</p>	Validity of identity documentation cannot be independently verified.	Moderate	Require the retention of copies of identity documentation. This should be a high-quality digital scan as opposed to a photo-copy.

Application Processing

No.	Heading	Findings	Risk/Impact	Risk Rating	Recommendation
2.6	Timeliness of review of data accuracy and production of licence.	<p>If a licence is identified as having an error, it is often too late to stop the physical production of the driver's licence.</p> <p>Agents are required to review data entered into DLR at the end of each day [REDACTED] if errors are identified it is usually too late to stop the physical production of the driver licence card.</p> <p>Similarly, the Transport Agency checks occur on the following day, and errors cannot be rectified in time to stop the production of the erroneous driver licence.</p> <p>The driver licence card will be voided in the DLR, but the applicant will still receive the physical driver licence card.</p>	Erroneous driver licence cards are sent out to customers.	Low	Implement monitoring processes to ensure agent checks are performed within required timeframes.
2.7	Lack of automatic linkage between DLR and the image capture equipment increases errors.	<p>There is no automatic link between the DLR and image capturing equipment. This increases the likelihood of errors occurring such as an application having no photo or the uploading the wrong person's photo into DLR.</p> <p>When errors are identified with the photo capturing process this requires significant rework as the applicant is required to return to the outlet in order for the photo to be re-taken.</p>	Driver licences may be issued with an incorrect photo.	Low	Automate processes between DLR and image capture equipment to ensure the proper image is taken and uploaded to the right applicant.
2.8	User access management to DLR.	<p>User access rights to DLR are granted to agent staff before they are certified to use DLR system. [REDACTED]</p> <p>User access rights are granted at the request of the agents. There is no requirement that staff are appropriately trained/certified before being provided access to the DLR.</p> <p>The Transport Agency is reliant on agents to inform them when users are terminated. [REDACTED]</p>	<p>Users are able to access the DLR without receiving appropriate training.</p> <p>[REDACTED]</p>	Low	<ol style="list-style-type: none"> 1. Review processes for ensuring users are appropriately trained before granting access. 2. Implement a periodic review of user access lists in the DLR. This should require agents to provide positive confirmation that user lists are accurate.

Theory Testing

No.	Heading	Findings	Risk/Impact	Risk Rating	Recommendation
3.1	Manual recording of theory test results in the DLR.	<p>Theory test results in the DLR are not validated against the Computerised Theory Testing system (CTT).</p> <p>There is no direct link between CTT and DLR to automate that transfer of information between the two systems. Agents have to manually setup the applicant in CTT with the correct test. Agents are then required to manually enter the test results from the result slip that prints once the theory test has been completed. These manual steps increase the chance of errors occurring.</p> <p>Agents are required to independently review the test results entered into DLR as part of their end of day processes. [REDACTED] refer finding 2.2 (Manual applications lead to rework and errors).</p> <p>The Transport Agency does not independently reconcile theory test results in CTT against the result in DLR.</p> <p>A reconciliation is performed to ensure that the applicant has sat the correct test (e.g. if they apply for a class 3 licence they sat a class 3 test). However, this check does not ensure that the correct result was entered.</p>	Agents could incorrectly enter theory test results in the DLR.	Moderate	<ol style="list-style-type: none"> 1. Implement a direct link between CTT and the DLR to automatically feed the information between CTT and the DLR. 2. Meanwhile, implement a daily reconciliation of CTT and the DLR theory test results to ensure correct recording of theory test results.

Theory Testing

No.	Heading	Findings	Risk/Impact	Risk Rating	Recommendation
3.2	Adequacy of theory testing environment.	<p>The Transport Agency has insufficient processes to ensure that theory tests are conducted in an adequate testing environment. The Transport Agency has not clearly defined its requirements for theory testing environments.</p> <p>Agents are required to provide a supervisor (which cannot be a staff member who is processing transactions) to actively supervise testing applicants. The theory testing environment is reviewed as part of the agent Site Visit Compliance reviews that have limited coverage (refer finding 1.5 Effectiveness of agent Site Visit Compliance reviews).</p> <p>Site visits indicated that the theory testing environment can vary significantly between outlets.</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p>	Poorly designed testing environments may present an opportunity for applicants to cheat on their tests.	Moderate	<ol style="list-style-type: none"> 1. Clearly define the Transport Agency's requirements for providing an appropriate theory testing environment. 2. Review processes for supervision of tests, particularly when a translator is used. This could include audio/visual recordings of tests that could be reviewed if there are suspicions of cheating.
3.3	Lack of timely version updates of CTT by agents.	<p>CTT software version updates are not consistently performed [REDACTED] within expected timeframes.</p> <p>A CTT version control report is produced on a monthly basis and shows which testing terminals are running on which version.</p> <p>Service Supply Management follow-up with the [REDACTED] that are not running the correct version of CTT to [REDACTED] resolve the issue. However, this reporting shows that testing terminals are not being updated in a timely manner.</p>	An applicant may sit a theory test that does not reflect recent changes to the road code.	Low	Implement a formal process for the follow-up of CTT version reports to ensure version updates are performed in a timely manner.

Practical Testing

No.	Heading	Findings	Risk/Impact	Risk Rating	Recommendation
4.1	Use of generic IDs when resulting practical tests in DLR.	<p>There are no system controls, or monitoring and follow-up procedures in place, to stop [REDACTED] generic IDs when resulting practical tests in DLR.</p> <p>Use of generic user IDs when scheduling practical test is permitted to allow flexibility in the management of testing schedules. Agents are required to use the Testing Officer's unique user ID when resulting tests in DLR. [REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>The use of generic IDs impacts the integrity of the testing system as it is impossible to determine which Testing Officer completed the test and whether they had the appropriate endorsement to do so.</p> <p>The Transport Agency does not have any processes in place to monitor the use of generic IDs.</p> <p>Information in DLR is used to [REDACTED] monitor Testing Officer performance. The use of generic IDs may distort this analysis as it is not known which Testing Officers performed these tests.</p> <p>The Transport Agency is currently in the process of implementing a new practical test booking system, and technology to automatically upload testing results, which should eliminate the use of generic IDs.</p>	<p>Tests are resulted to generic user ID, and it is impossible to track which testing officer conducted what tests.</p> <p>The use of generic IDs in resulting practical test does not ensure accuracy and integrity of DLR data base.</p>	High	<ol style="list-style-type: none"> 1. Implement system controls to prohibit use of generic user ID when resulting practical tests in DLR. 2. Implement a process to track [REDACTED] using generic user ID. 3. Ensure new booking/resulting system would prevent inappropriate use of generic ID when resulting tests.

Practical Testing

No.	Heading	Findings	Risk/Impact	Risk Rating	Recommendation
4.2	Manual recording of practical test results in DLR leads to errors.	<p>Manual nature of recording test result in DLR is time-consuming and increases room for errors.</p> <p>Testing officer hands over the test papers to counter staff or places the test papers in the designated file after completing the practical tests. Agents are required to manually enter practical test result as soon as possible, and no longer than 24 hours after they have received the test paper from the testing officer.</p> <p>Agent staff are supposed to perform end-of-day checks to ensure the accuracy and completeness of information entered into the DLR. [REDACTED]</p> <p>[REDACTED]</p> <p>The Transport Agency is in the process of implementing the use of tablets in practical testing, which will enable the automation of uploading test results to the DLR.</p>	Agents could incorrectly enter practical test result in DLR.	Moderate	<ol style="list-style-type: none"> 1. Define the requirements for agents to perform checks on information entered into the DLR (refer finding 2.2). 2. Implement an automated linkage between tablet and the DLR to automatically feed the test results to the DLR.

Course Providers

No.	Heading	Findings	Risk/Impact	Risk Rating	Recommendation
5.1	Limited assurance over course providers.	<p>There is a limited capacity to ensure that course provider services are being delivered to the Transport Agency's required standards.</p> <p>There are approximately 365 course providers nationwide (see finding 5.3 Large number of course providers increase difficulties providing adequate oversight). However, the Transport Agency has limited resources to conduct audits of course providers. There are only eight regional Licensing Officers (two per region) who currently perform the course provider audits, among a range of other responsibilities.</p> <p>The selection of course providers to be audited is not risk-based. Course providers are selected based on Licensing Officers' knowledge and judgment. Transport Agency does not have a formalised risk assessment process to enable audit activities to be focused to particular course providers posing the greatest risk.</p> <p>This finding has a higher level of risk associated with it as courses can be used in place of practical testing (refer finding 7.1 Lack of compliance with the exemption requirement for accepting courses instead of taking practical tests).</p>	Course providers may not deliver courses to expected standards.	High	<ol style="list-style-type: none"> 1. Review course provider audit desired outcomes to ensure framework is risk-based and aligns with organisational objectives. 2. Utilise data analytics to identify course providers that represent higher risk (e.g. high volume of course certificates' issuance). 3. Review resourcing levels allocated to providing course provider audits.

Course Providers

No.	Heading	Findings	Risk/Impact	Risk Rating	Recommendation
5.2	Lack of centralised oversight to ensure consistency of audits across regions.	<p>There is lack of management oversight of the audit process to ensure its quality and consistency across regions.</p> <p>Regional managers rely on their Licensing Officers to conduct course provider audits. Audit documentation is not reviewed to ensure the quality of audits. Although the standard operating procedure and audit check sheet give some level of guidance to the Licensing Officer, it is up to each Licensing Officer to select course provider/assessor for an audit and develop an audit plan accordingly.</p> <p>There is no centralised oversight to ensure consistency of audits across regions. Findings from course provider audits are not collated centrally to identify trends or systemic issues.</p>	<p>Quality of audits performed by regional licensing officers may be inconsistent.</p> <p>Systemic issues may not be identified.</p>	Moderate	<ol style="list-style-type: none"> 1. Implement a central oversight function of regional Licensing Officers and course provider audits. 2. Implement processes for central collation and sharing of issues. 3. Develop clear audit methodologies to ensure appropriateness and consistency of audits across regions.
5.3	Large number of course providers increase difficulties providing adequate oversight.	<p>There are a large number of course providers (approximately 365 nationwide) leading to difficulties providing adequate oversight.</p> <p>As long as a course provider meets the Transport Agency's requirements, they will be approved to become a course provider. There is no consideration on the number of existing course providers and customers per region when approving course providers.</p> <p>As a result, there are a significant number of course providers the Transport Agency must oversee to ensure that courses are provided consistently and quality of services meet Transport Agency's standards.</p> <p>Once course providers/assessors pass the initial approval, the requirements at renewal are minimal. Outside of course provider audits (refer finding 5.1 Limited assurance over course providers) the Transport Agency does not have ongoing requirements to ensure that the course providers' are maintaining competencies required by the Transport Agency.</p>	<p>Large number of course providers impacts the Transport Agency's ability to provide adequate oversight.</p> <p>Course providers may not maintain standards expected by the Transport Agency.</p>	Low	<ol style="list-style-type: none"> 1. Review approval processes for course providers and determine whether taking the number of providers per region into account is appropriate. 2. Review requirements for renewal of course provider certification and consider implementing minimal requirements that provide additional comfort over the quality of services and maintenance of relevant industry experiences/skills.

Testing Officers and Others

No.	Heading	Findings	Risk/Impact	Risk Rating	Recommendation
6.1	Limited assurance whether testing officers are conducting tests in accordance with Transport Agency's standards.	<p>Transport Agency is unable to monitor practical tests to ensure that they are conducted in accordance with Transport Agency's standards.</p> <p>A structured audit programme for conducting risk-based audits of Testing Officers is in place. Interview questions are designed to uncover any knowledge, practice, or behaviour issues that could result in test scoring bias or inaccuracy. However, these audits are signalled two weeks in advance, and are interview-based. Therefore, these audits only provide limited assurance.</p> <p>[REDACTED]</p> <p>[REDACTED] However, the Transport Agency does not have sight of what auditing is performed by [REDACTED].</p> <p>The Transport Agency is currently developing the use of video recordings and GPS tracking of practical tests. If this programme is successful, analysis of this information would enable the Transport Agency to gain greater assurance over whether practical tests are being performed in accordance with required standards.</p>	Performance issues of testing officers in actual practical tests may not be detected.	Moderate	<ol style="list-style-type: none"> 1. Liaise with [REDACTED] to gain an understanding of the results and coverage of audits performed [REDACTED]. 2. Incorporate video recordings and use of GPS data into the Testing Officer audit programme (should this be rolled out).

Testing Officers and Others

No.	Heading	Findings	Risk/Impact	Risk Rating	Recommendation
6.2	Limited ongoing Assurance over Driving Instructors.	<p>There is no ongoing training or review to ensure that Driving Instructors maintain up-to-date knowledge of the road code or understanding of better practice of driving techniques.</p> <p>A Driving Instructor goes through an initial certification process. However, this is a one off, and there are no other requirements for ongoing education except a 'fit and proper' check that is required every five years for renewal.</p> <p>As the Transport Agency approves endorsement of the driving instructor, there is a reputational risk for the Transport Agency when driving instructors do not provide adequate training/instruction for the Transport Agency's customers.</p>	Reputational damage to the Transport Agency when driving Instructors do not have up-to-date knowledge of latest road code changes or driving techniques.	Low	Review requirements for Driving Instructors to undertake regular training.

Exemptions

No.	Heading	Findings	Risk/Impact	Risk Rating	Recommendation
7.1	Lack of compliance with the exemption requirement for accepting courses instead of taking practical tests.	<p>Exemption processes for accepting course certificate instead of passing a practical test were not being followed for overseas heavy vehicle licence conversions. This was a breach of legislative requirements.</p> <p>The Transport Agency have now changed this practice and require all practical test exemption requests to go through their central internal team. We have been advised that monitoring processes have been implemented to ensure compliance with this requirement.</p> <p>Allowing an applicant to sit a course in lieu of the practical test must be treated as an exemption. However, these have not been processed as exemptions – rather it was an accepted ‘business as usual’ practice since approximately December 2015.</p> <p>The Transport Agency self-identified this issues and has put in place a remediation plan to correct this.</p> <p>This risk is escalated given concerns around the lack of quality assurance processes over course providers (refer finding 5.1 Limited assurance over course providers).</p>	Non-compliance with legislative requirements.	High	Review exemption processes and internal policies and ensure current process complies with the legislative requirements.
7.2	Lack of formal decision-making framework for exemptions to guide staff.	<p>There is no formal framework/criteria/tool that is used to help guide the decision-making process for granting exemptions. Also, there is no framework for escalating applications to a team leader.</p> <p>The Transport Agency manages exemption applications centrally. Exemption team members rely on their training (provided on-the-job) and previous experience when making decisions. Other staff/team leaders may be consulted when making a decision. However, this is a subjective assessment and decisions are made on a case-by-case basis.</p>	Inconsistencies in decision-making processes.	High	Develop a formal decision-making framework and escalation process to ensure appropriate and consistent decisions are made by each exemption officer.

Exemptions					
No.	Heading	Findings	Risk/Impact	Risk Rating	Recommendation
7.3	Lack of documentation to support decisions made.	There is no standard template used to document the justification of why an exemption has been granted or declined. Exemption team members are required to consider whether any safety risk would be increased as a result of granting an exemption. However, the current documentation format is not always sufficient to determine whether all relevant factors [REDACTED] have been appropriately considered when exemption decisions are made.	Lack of documentation to justify decisions made.	Moderate	Develop a standard template for documenting exemption decisions that enable reviewers to validate the decision-making processes.
7.4	Lack of structured quality assurance programme for exemptions.	There is no formal quality assurance programme in place for exemptions. Declined exemptions are referred to Team leaders for approval as these can be challenged. Granted exemptions are supposed to be peer reviewed. However, no evidence is retained to show that peer review has occurred, and exemptions may have been granted without a secondary review.	Inconsistencies in decision-making process. Inappropriate exemptions granted without peer review.	Moderate	Implement a formalised quality assurance programme. Incorporate peer review/team leader sign-off into template described above.
7.5	No distinction between exempt and non-exempt countries for exemption to reduce wait period in order to gain endorsements.	There is no distinction between exempt and non-exempt countries for an exemption to recognise overseas driving experience to reduce wait period in order to gain endorsements. Provided the applicant can show that they have held a licence for longer than two years, then the exemption is granted. Non-exempt countries are deemed to have driver licensing systems that are very different from New Zealand's, and people from these countries have to sit both theory and practical tests. Once they obtain a New Zealand driver licence, applicants from non-exempt countries can apply for an exemption to recognise their overseas driving experience to reduce the wait period in order to gain endorsements. However, this experience may not be applicable to New Zealand road conditions.	Increased risk to public safety as drivers may be granted exemptions without appropriate experience.	Moderate	Develop guidelines for exempting overseas driving experience from a non-exempt country.

Appendix 1 Control Environment Rating Definitions

Effectiveness of Control Environment	Descriptions
Strong	The controls are in place and are working very well. The controls are being performed in the manner for which they are designed to mitigate the risk. Either none or a small number of low findings, and either no or minimal scope for improvement has been identified.
Effective	The controls are in place and are working very well. The controls are being performed in the manner for which they are designed to mitigate the risk. Either none or a small number of low findings, and either no or minimal scope for improvement has been identified.
Partially Effective	The controls are good and the majority of the risk is managed. But there is room for some improvement to increase the effectiveness of these controls or reduce the risk of the control failing. Multiple low findings and/or a single moderate finding has been identified.
Not Effective	The controls are adequate but manage only a portion of the risk. Management attention is required to implement new or improve existing controls. Multiple moderate findings and/or a low number of high findings have been identified.

Appendix 2 Risk Rating Definitions

The following table provides a definition of the risk ratings used in this report.

Rating	Definition	Examples of Business Impact	Action Required
Critical	Issue represents a control weakness that could cause (or is causing) severe disruption on processes and/or severe adverse effect on the ability to achieve business objectives and outcomes.	<ul style="list-style-type: none"> ■ Additional costs over budget or revenue impact greater than 20%. ■ Extensive senior management attention is required to manage issues, prevent or manage a crisis or maintain the viability of the business. ■ Inability to provide or maintain key infrastructure and/or services for significant time periods and/or widespread nature. ■ Medium to long-term damage to Agency's reputation at a national level. ■ Sustained media coverage (weeks). ■ Breakdown or strained relationships with external groups resulting in impasse or independent arbitration. ■ Loss of life, permanent disability or serious injury requiring medical treatment or lost time greater than three weeks. ■ Permanent or significant widespread pollution or other environmental damage with long-term effects. ■ Slippage in project deliverable greater than 20%. 	<ul style="list-style-type: none"> ■ Requires CEO, Risk Response Leader and/or Governance team attention. ■ Urgent and active management action is required to review and confirm strategies. ■ Detailed action plan to be put in place within 30 days, with timeframe for resolution within three months.
High	Issue represents a control weakness that could have (or is having) a major adverse effect on the ability to achieve business objectives and outcomes.	<ul style="list-style-type: none"> ■ Additional costs over budget or revenue impact between 10 - 20%. ■ Additional management time and effort required to prevent or manage an issue or an event. ■ Inability to provide or maintain key infrastructure and/or services at a localised level. ■ Short-term damage to Agency's reputation at regional level. ■ Short-term (days) media coverage. ■ On-going relationship issues with external parties. ■ Injury requiring medical treatment or lost time of one day to three weeks. ■ Pollution or other environmental damage at a localised level with medium-term effects. ■ Slippage in project deliverable between 10-20%. 	<ul style="list-style-type: none"> ■ Risk Response Leader and/or Governance team has oversight of controls. ■ Timeframe for resolution required within three months.

Rating	Definition	Examples of Business Impact	Action Required
Moderate	Issue represents a control weakness that could have (or is having) an adverse impact on the ability to achieve business objectives and outcomes.	<ul style="list-style-type: none"> ■ Additional costs over budget or revenue impact between 5-10%. ■ Event or issue managed under normal operating conditions with some management effort. ■ Temporary disruption to core infrastructure and/or services at a localised level. ■ Limited damage to Agency's reputation. ■ Local media coverage for 1-5 days. ■ Isolated relationship issues with external groups. ■ Injury requiring short-term medical treatment and workplace absence less than one day. ■ Minimum pollution or other environmental damage. Short-term effects only. ■ Slippage in project deliverable between 5-10%. 	<ul style="list-style-type: none"> ■ Risk Response leader is informed. ■ Monitoring occurs within the business group/project teams.
Low	Issue represents a minor control weakness, with minimal impact on business objectives and outcomes.	<ul style="list-style-type: none"> ■ Additional costs over budget or revenue impact less than 5%. ■ Event or issue can be managed through normal day-to-day processes and resources. ■ Infrequent and inconsequential disruption to core infrastructure and/or services. ■ No real impact on Agency's reputation. ■ Local media coverage for one day. ■ Minor disagreement with external groups. ■ Injury requiring short-term first aid care and no absence from the workplace. ■ Small scale pollution or other environmental damage is localised with no resultant effects. Contained locally. ■ Slippage in project deliverable of up to 5%. 	<ul style="list-style-type: none"> ■ Action is required to address this issue. ■ Routine procedures to be used to manage the risks and controls.

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