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Victoria

Investigation into VicRoads driver licensing arrangements

December 2007

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LETTER OF TRANSMITTAL

To

The Honourable the President of the Legislative Council

and

The Honourable the Speaker of the Legislative Assembly

Pursuant to section 25 of the *Ombudsman Act 1973,* I present to the Parliament the report on my investigation into VicRoads driver licensing arrangements.

G E Brouwer
OMBUDSMAN

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EXECUTIVE SUMMARY

This investigation into VicRoads' licensing system arose from a whistleblower's disclosure of systemic problems with the driver licensing arrangements in Victoria. In view of the broad scope of the issues and the seriousness of the matters, I determined that an own motion investigation should be undertaken.

VicRoads has the statutory responsibility to provide secure, accurate and timely licensing services for the Victorian community. The licensing data maintained by VicRoads is essential for effective law enforcement and for the development of road safety initiatives that benefit the community.

VicRoads' driver licensing and car registration databases are the most comprehensive, single source of information about Victorian citizens. They are the major source of name and address information for Victorian law enforcement agencies. The databases are also relied on by many agencies to collect revenue and to provide an accurate and authoritative source of information.

The Victorian driver licence has become much more than a licence to drive. It is now used as the primary means of authenticating identity in a wide range of commercial and government transactions.

Identity security is central to Australia's security, law enforcement and economic interests, and vital in protecting citizens from the theft or misuse of their identities. In 2001 a report from the Commonwealth Attorney-General's Department estimated that the cost of identity-related fraud in Australia was in excess of $4 billion per year, making it the fastest growing crime in the country.

Fraudulent licences are used for a variety of purposes: by under-age persons to gain entry into licensed premises; by persons who wish to continue to drive when their legitimate licence has been cancelled or suspended; and more significantly, by persons planning to commit crime, particularly financial deceptions using false identities against both private and public institutions.

Victoria Police advised that fraudulent licences have been used by organised crime figures to conceal their identities in the event of detection in the commission of a crime, as well as to hinder police enquiries into their illegal activities. It said that:

The pattern of [organised crime] using false driver licences stems from the ease of obtaining them and the inability of VicRoads to detect them once fraudulently issued.

A sample of 22 cases involving the use of a driver licence as proof of identification that were investigated by VicRoads Investigations and Anti Corruption Group between October 2002 and May 2007 showed financial deceptions totalling more than $5 million. This is apart from investigations conducted by law enforcement agencies, Commonwealth agencies (such as Centrelink, Medicare, Department of Immigration and Citizenship, and Department of Foreign Affairs and Trade) and the banking sector.

Balancing the security considerations related to the driver licence with a customer expectation that they can go to a VicRoads customer service centre and instantly receive their licence over the counter remains a key issue.

Against this background, I undertook my investigation of VicRoads driver licensing arrangements. I found vulnerabilities in the Victorian licensing system that need urgent attention. Key issues include:

- Only one change has been made to the security features of the current Victorian driver licence since its introduction in 1996.
- The 10-year duration of the driver licence and learner permit (with the possibility of renewal for a further 10 years) is too long. It is a contributing factor in identity crime and can have adverse road safety implications.
- Law enforcement agencies consulted in the course of my investigation consider that there is an urgent need to improve the security features on the driver licence.
- VicRoads customer enrolment practices for driver licensing do not meet best practice, with significant weaknesses in the proof-of-identity authentication process.
- Organised crime is exploiting weaknesses in the driver licence security arrangements to obtain fraudulent identity documents.
- VicRoads has not placed sufficient emphasis on training its staff or staff employed by its external service providers about identity fraud or how to identify fraudulent documents.
- VicRoads has few deterrent strategies to mitigate the risk of fraud by staff and customers.
- Although the Victorian driver licence database was replaced five years ago, the technology is now old and with limited functionality. Victoria is the only jurisdiction in Australia where the registration and licensing databases are not combined.

- Key users of the licensing system – particularly VicRoads, Victoria Police, Tenix, Salmat, Councils, Victorian Taxi Directorate, State Revenue Office and the Traffic Camera Office – have identified that the licensing database contains a large amount of inaccurate and out-of-date information.
- VicRoads needs to manage emerging issues and risks proactively (e.g. the projected increase in the number of older drivers and the growth in identity fraud).
- VicRoads needs to improve its procedures to protect the privacy and confidentiality of information held on the driver licensing system.
- The Victorian Taxi Directorate's licensing and monitoring practices relating to taxi drivers need to be improved.

This report has several re-occurring themes. **The first and most important** is that VicRoads' licensing activities operate in a high risk environment. Despite acknowledging this fact, VicRoads has few risk management strategies covering its licensing activities.

Consequently, over a period of time, all security elements on the current driver licence have been replicated or compromised by individuals or organised crime groups for fraudulent use. This is a major concern and highlights the urgent need to upgrade the driver licence to incorporate new security elements and to strengthen systems for 'proof-of-identity'.

VicRoads has indicated its in principle support to adopt Austroads' best practice customer enrolment principles for the licensing of drivers. Before this can be achieved, a significant number of business practices and procedures will need to change, which will have cost and resource implications for VicRoads. However I consider it essential that VicRoads implement the principles proposed by Austroads because it will significantly reduce the risk of fraud and assist in maintaining the integrity and security of the licensing arrangements.

A failure to implement these new principles could, in my opinion, allow Victoria to become the weak link in a national drive to reduce the risk of identity fraud and theft.

The second theme is VicRoads difficulty in balancing its regulatory role in relation to the licensing of drivers with its whole-of-government role as a supplier of information for enforcement purposes. This is particularly apparent in the inaccuracies in the driver licensing database and VicRoads' delay in addressing the underlying problems.

The third theme is the disproportionate emphasis placed on cutting costs and increasing productivity that underpins VicRoads approach to its driver licensing arrangements. Although VicRoads has amended its corporate plan and business plan to stress customer service, efficient services and the security of the process, the reality is that VicRoads appears to have difficulty balancing these competing demands.

The fourth theme is the limitations of the driver licensing database and the costs and inefficiencies of retaining this system. As my investigation revealed, problems with the database are central to many of the deficiencies that I have identified with the driver licensing arrangements. The system has limited functionality and is unable to meet the increasing demand and expectations placed on it by stakeholders.

My report contains 62 recommendations that will significantly strengthen the practical application of VicRoads strategies for both preventing and handling fraud, corruption and other improper conduct. These recommendations are also intended to address inefficiencies with the licensing arrangements and improve business processes, systems and data. In addition, the report includes five recommendations to improve the Victorian Taxi Directorate's arrangements for the accreditation of taxi drivers.

In light of the 2005 report on my own motion investigation into VicRoads Registration Practices and the serious deficiencies with the driver licensing system highlighted by this investigation, I now consider that there would be significant benefits in amalgamating the registration and licensing databases and bringing this project forward from its planned completion date of 2012-13.

It may also be time for the Victorian Government to consider establishing a separate agency with responsibility for registration and licensing so that the issues related to VicRoads' regulatory role and broader whole-of-government and community responsibilities can be addressed. If the community is to continue to have confidence in the driver licence arrangements, then changes are needed.

During 2007-08 I intend to report to Parliament on the progress made in addressing the issues identified in this report, together with matters raised in my previous report on VicRoads Registration Practices.

VicRoads response to my report

On 9 November 2007 Mr Gary Liddle, the Chief Executive of VicRoads, wrote to me in response to my draft report and advised that VicRoads has accepted or accepted in principle all of the recommendations (62) relating to that agency.

Department of Infrastructure response to my report

On 28 October 2007 Mr Howard Ronaldson, Secretary of the Department of Infrastructure, wrote to me in response to my draft report dealing with the Victorian Taxi Directorate. The Secretary stated:

> *With regard to the recommendations that you have made on the operations of the Victorian Taxi Directorate [VTD], I can advise that the Department of Infrastructure will adopt, and the VTD is now taking action to implement them. In particular, the compliance and accreditation processes and resources at the VTD have been strengthened to enable the implementation of the taxi-cab driver accreditation scheme which commenced on 1 July 2007.*

I much appreciate the positive attitude and co-operation provided by VicRoads and the Department of Infrastructure throughout my investigation and I welcome their assurances that action will be taken in response to my report.

1. INTRODUCTION

An effective driver licensing system is crucial for road management, road safety and for law enforcement purposes. For these reasons, it is essential that government and the community have a high level of confidence in the integrity of the driver licence and the effectiveness of the legislative, policy and administrative processes that underpin the system.

In 2006 I received disclosures from a whistleblower about specific problems with VicRoads' driver licensing arrangements in Victoria. Because of the broad scope of the disclosures and the seriousness of the matters raised, I determined that it was in the public interest to undertake an own motion investigation.[1]

On 2 March 2007, I wrote to the Minister for Roads and Ports, the Hon. Tim Pallas MP, and the Acting Chief Executive of VicRoads, Mr Gary Liddle,[2] to advise that I was commencing an investigation under section 14(1) of the *Ombudsman Act 1973*.

The vehicle registration and driver licensing businesses are interlinked. This investigation complements earlier work undertaken by my office on VicRoads Registration Practices, which was critical of VicRoads' registration systems and processes.[3]

From March to June 2007 my officers interviewed more than 40 witnesses and reviewed documents provided by VicRoads and other agencies. They also reviewed driver licensing developments in NSW and Queensland and visited several of VicRoads' customer service centres, as well as two major contractors providing support services (Salmat and Leigh Mardon) and various law enforcement agencies and the Traffic Camera Office.

I am grateful for the cooperation and assistance given to my office by staff of VicRoads, the NSW Roads and Traffic Authority (RTA), the Queensland Department of Transport (QT), Victoria Police, the Australian Federal Police (AFP) and other law enforcement and Commonwealth agencies.

My investigation highlights the value of the *Whistleblowers Protection Act 2001*. Through disclosures made to my office, vulnerabilities in the current licensing arrangements have been identified.

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[1]   In accordance with s.14(1) of the *Ombudsman Act 1973*.
[2]   On 6 March 2007 Mr Liddle was appointed Chief Executive Officer of VicRoads.
[3]   Ombudsman Victoria, *Own Motion Investigation into VicRoads Registration Practices, June 2005,* p.3.

2. BACKGROUND

VicRoads' operating environment

VicRoads is the statutory authority responsible for road management, traffic and transport integration, road safety, the registration of vehicles and the licensing of drivers in Victoria.[4] It has had a history of mergers and consolidation of functions. I mention this because I consider that this factor has influenced the values and ethos that underpin VicRoads' current approach to the discharge of its licensing responsibilities.

The legislative provisions relating to driver licensing arrangements in Victoria are very broad and complex. Section 17 of the *Road Safety Act 1986* specifies that the purposes of driver licensing are to:

    (a) ensure that people who drive motor vehicles on highways are competent drivers

    (b) ensure that drivers are aware of safe driving practices and road law

    (c) ensure that people who are, or who become, unsuited to drive are not permitted to drive on highways

    (d) enable the identification of drivers for the purposes of law enforcement and accident investigation.

Section 16(g) of the *Transport Act 1983* details that the objects and functions of VicRoads are to:

- provide registration and licensing procedures and systems in connection with transport
- develop and implement road safety strategies, and to develop, promote and administer road safety education and training programs.

In exercising its functions, VicRoads must have regard to the achievement of a number of objects, some of which are to:

- operate within government policy
- improve the community's awareness of road safety strategies and practices
- improve and simplify registration and licensing procedures and systems
- improve productivity.

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4   VicRoads internet home page http://www.vicroads.vic.gov.au/Home/About VicRoads/Organisation Structure accessed 11 July 2007.

In collecting and managing licensing information, as well as protecting the privacy and confidentiality of such information, VicRoads must comply with its statutory obligations outlined in the *Information Privacy Act 2000* and section 92 of the *Road Safety Act 1986.* In limited circumstances, information can be disclosed.

VicRoads driver licensing and car registration databases are the most comprehensive single source of information about Victorian citizens. They are the major source of name and address information for Victorian law enforcement agencies. The databases are also relied on by many agencies[5] to collect revenue and to provide an accurate and authoritative source of information.

Table 2.1 – Overview of VicRoads licensing functions
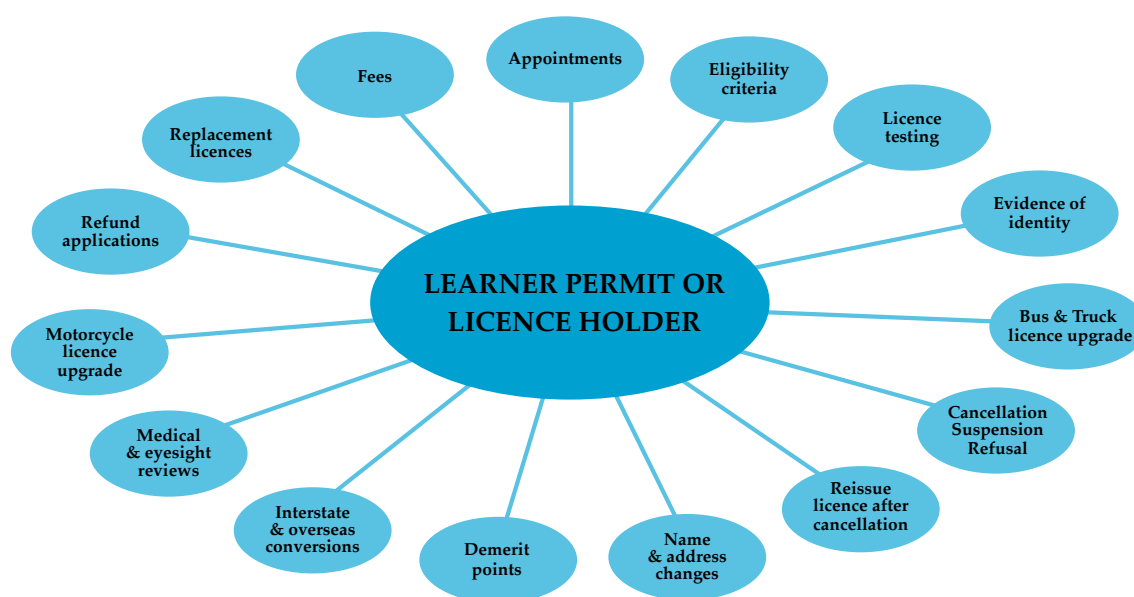
The registration and licensing business is very complex. Each year VicRoads:[6]

- collects approximately $2.6 billion in revenue
- spends $1.1 billion (forecast for 2007-08)
- issues 150,100 driver licences, 106,000 learner permits and renews 605,000 driver licences

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[5] Such as Victoria Police, Department of Justice, State Revenue Office, Environment Protection Authority, Department of Primary Industries (Fisheries), service providers (EDS, Leigh Mardon, Salmat) and driver licensing authorities in other Australian jurisdictions which access VicRoads data through NEVDIS (National Exchange of Vehicle and Driver Information System) operated by Austroads.

[6] Compiled from information included in VicRoads annual report for 2005-06; the 2007-08 budget papers; and VicRoads Registration and Licensing Information System Redevelopment Project—Final Development Funding submission, dated January 2007, p.3.

- processes 17.6 million customer transactions[7]
- assesses and monitors 43,000 medical review cases
- allocates demerit points resulting from the issue of 1.2 million Traffic Infringement Notices
- answers 3.2 million telephone calls and responds to 800,000 service requests[8]
- manages a number of contracts with 10 external service providers and seven internal service agreements, valued at $66.6 million per year, to provide a wide range of services to support the registration and licensing businesses.

VicRoads provides these services through 38 metropolitan and regional customer service offices, 80 agencies (such as local councils, Australia Post outlets, pharmacies, Bill Express and some newsagencies) and two call centres. Although VicRoads directly employs 2,500 staff, not all are involved in registration and licensing activities.

My report into VicRoads Registration Practices revealed, and this investigation further confirmed, that a strong business culture underpins VicRoads' processes. Some business areas and/or divisions within VicRoads have to purchase the services they require from other divisions.[9] The level of services and the charges that apply are set out in a service agreement. For example, VicRoads has service agreements with its customer service centres to provide management services. Both management and staff have individual performance plans. These plans specify the targets that staff must deliver to 'not meet, meet or exceed' their key result areas. Some examples of 'exceed' targets for staff at customer service centres include:

- **Customer Service Centre office manager**[10]
    - (a) Customer waiting times – serving 80 per cent of customers within 10 minutes must not be exceeded for more than 10 months per year.
    - (b) Total controllable expenditure must be less than 97 per cent of budget.
    - (c) Total trading result must be 102 per cent of profit or 98 per cent of loss.
    - (d) Eighty per cent to 100 per cent of all staff must have suggested a business improvement.

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[7]   Refers to both registration and licensing transactions.
[8]   Ibid.
[9]   Those business areas that provide broader corporate services do not operate under service level agreements.
[10] Performance indicators/measures contained in a VRO 5 Customer Service Centre Office Manager performance plan.

- **Senior customer service officer**[11]
  - (a) Total customers processed are to be within office standardised average and must not exceed by greater than five per cent of office average.
  - (b) Number of times problems referred unnecessarily to senior staff must not exceed one to two occasions.
  - (c) Submit more than one suggestion for improvements which improves service delivery to business processes.

If staff exceed the measures specified in the performance plan, they may be eligible for a lump sum bonus.[12]

VicRoads said:[13]

…our pursuit of a cost-effective registration and licensing business supports, rather than compromises, our fundamental customer service obligations and targets as detailed in our Customer Service Charter.

But as my investigation revealed, this business focus heavily influences the way licensing is administered, managed and structured. It also has important implications for VicRoads' approach to risk management, security and its wider statutory responsibilities to law enforcement and the community.

New organisational arrangements

In April 2007 following the recent retirement of its former Chief Executive Officer and General Manager Registration and Licensing, VicRoads was reorganised into eight divisions.

The position of General Manager Registration and Licensing was abolished and responsibility for registration and licensing functions was allocated across four divisions. The majority of functions became business units under the Corporate Policy and Customer Services Division (see table 2.2), thereby further diffusing the key components of the registration and licensing businesses, such as strategic policy, service delivery, new initiatives and technical support.

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11 Performance indicators/measures contained in a VRO 2 Senior Customer Service Officer (CSC) performance plan.

12 Clause 12 of the VicRoads Enterprise Bargaining Agreement provides that VicRoads will set aside two per cent of each Region/Division salary budget each financial year to be distributed during September each year as lump sum bonus rewards. A bonus of between 7-10 per cent is paid to up to 10 per cent of staff who receive a rating of 'consistently exceeds'. For a rating of 'usually exceeds', a bonus of 3-6 per cent is paid to up to 15 per cent of staff. For a rating of 'occasionally exceeds', a bonus of two per cent is paid to up to 50 per cent of staff. Ratings of 'Generally Meets' and 'Does Not Meet' do not qualify for a bonus payment.

13 VicRoads response, dated 16 October 2007, to the Ombudsman's draft report on the investigation into VicRoads driver licensing arrangements, p.3.

Table 2.2 – New organisational arrangements for VicRoads registration and licensing business
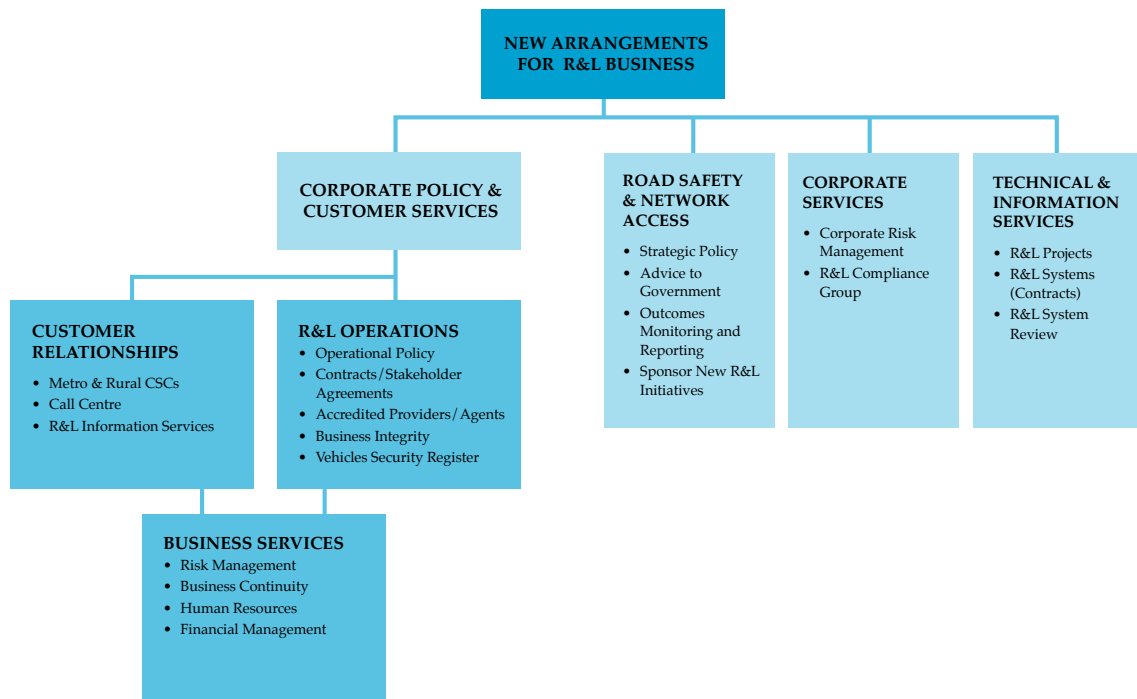
VicRoads advised that the new structure reflects:[14]

• *the importance of the relationship between the regulatory aspects of network access (registration and licensing policy and heavy vehicle regulation) and road safety*

• *that VicRoads is the custodian of sensitive information that is widely used by a range of stakeholders and that it is important that registration and licensing data is up-to-date and securely held*

• *a more strategic and consolidated approach to the development of corporate policy and customer service, with particular attention to customer service standards and operational policy, and*

• *a broader view of the link between good governance, auditing and managing risk across VicRoads.*

VicRoads indicated that the separation of the policy, service delivery and review functions 'will remove potential conflicts of interest, allow for wider identification of issues and encourage robust debate in order to achieve resolution of these issues'.

My concern is that this organisational structure now means that there is no senior manager who has overall responsibility for registration and licensing and can provide the leadership and accountability for implementing the many changes needed to improve the current arrangements.

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14   Ibid., p.2.

Cultural issues

In 2007 VicRoads commissioned a strategic risk assessment report of its registration and licensing businesses. The report found that there were cultural divisions between the registration and licensing business units, which are transaction-based, and the other business areas in VicRoads, which are largely infrastructure and project-based.[15]

Several managers and other staff at VicRoads raised this issue with my officers. They advised that registration and licensing activities are not considered to have a high priority compared to the high profile areas in VicRoads, such as major projects and road safety. As evidence of this, they referred to the lack of support for new initiatives (such as facial recognition software and the redevelopment of the registration and licensing databases) and enhancements to the licensing system (to improve business practices, reduce costs and improve security). They also cited inadequate staffing in those areas under pressure (such as the medical review unit).

The strategic assessment report also referred to the growing gap between the expectations of external stakeholders and the performance of the registration and licensing business units:[16]

> Based on the information provided during a series of interviews, it was clear that the R&L [Registration and Licensing] business is not in crisis. However, the business was consistently described by external stakeholders as lacking a clear strategic direction that allows it to proactively manage emerging issues and problems.

In my June 2005 report on VicRoads Registration Practices, I found that VicRoads had a culture that placed the operation of an effective and efficient business ahead of good regulatory practices and the community's expectations.[17] In responding to my recommendation that it address these cultural issues, VicRoads stated 'that this is an issue and that it has been active in attempting to address it'.[18]

Two years later these same tensions are still apparent to the detriment, in my view, of the good administration of Victoria's driver licensing arrangements.

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[15] Booz Allen Hamilton, *Final Draft Report Strategic Risk Assessment – Registration and Licensing Department VicRoads,* dated 21 February 2007, p.14.

[16] Ibid., p.13.

[17] Ombudsman Victoria, *Report on Own Motion Investigation into VicRoads Registration Practices,* June 2005, pp.49-50.

[18] Ibid., p.51.

3. THE DRIVER LICENCE

Critical to the integrity and security of a licensing system are the physical properties of a driver licence. A driver licence that can be easily forged significantly diminishes these crucial elements, as well as contributes to and encourages identity crime.[19]

In 1996 VicRoads introduced a new driver licence card. At that time the card was a major advancement over the traditional 'paper' licence. The plastic driver licence card was laminated and included a digitised image of the holder and a hologram overlay.[20] These features were designed to facilitate the use of digitised images of licence holders to improve the functioning of the licensing system, as well as to reduce fraud and enhance security.

How, where and by whom the driver licence is produced are also critical factors. Currently the majority of licences in Victoria are printed at VicRoads' 38 customer service centres. This situation necessitates good management and auditing of the delivery and disposal of consumables over many sites. The use of small printers in customer service centres also impacts on the type of security feature and extent to which it can be incorporated into the licensing card. As one senior VicRoads manager stated:

> The security features of driver licences are affected by the mechanism by which they're produced…where you've got a small local printer in a customer service centre, there are some practical limitations in terms of the type of security features you could include in that card.

The security and integrity of the card are also affected by the way licences are issued. The VicRoads business practice of providing the majority of driver licences instantly 'over-the-counter' at customer service centres, as opposed to a deferred delivery system, is a key factor in the type of licence that can be issued.

A recurring theme in the interviews conducted with both management and stakeholders was VicRoads' reluctance to consider improvements in driver licence security that might adversely affect customer service expectations, particularly instant over-the-counter licensing. A senior VicRoads executive stated:

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[19]   Identity crime—can be used as a generic term to describe activities/offences in which a perpetrator uses a fabricated identity, a manipulated identity, or a stolen/assumed identity to facilitate the commission of a crime(s).

[20]   March Consulting, *Introducing New Driver Licence Technologies—A Smarter Licence for Victorians,* June 2002, p.14.

> VicRoads has to balance those security issues [related to the driver licence] against a customer expectation which has been developed in Victoria over quite a number of years now to be able to go to a VicRoads customer service centre and receive their licence over the counter instantly.

In 2002 VicRoads engaged March Consulting to prepare a report on possible formats for a new driver licence. I understand that this move to investigate formats was due to the fact that VicRoads then contract with Leigh Mardon to manufacture the licences was going to expire in 2003.

March Consulting detailed three options:[21]

- retain the current licence
- enhance the current licence with security features
- adopt a multi-purpose smartcard licence.

It recommended that VicRoads adopt a multi-application smartcard licence (I note that Queensland is currently implementing such a licensing system). VicRoads rejected the recommendation and there were no security improvements made to the licence card.

Leigh Mardon was subsequently awarded a $10.4 million contract from November 2003 to manufacture driver licences in the existing format for a three-year period.[22] In 2006 VicRoads extended that contract for a further 12 months.

Security enhancements to the driver licence

VicRoads staff advised my officers that only one security feature of the current driver licence has been added or changed since its introduction in 1996. This was the incorporation of an ultra-violet stamp on the licence in February 2004. Apart from this enhancement, no other security change has been made to the licence for the past 11 years.

VicRoads internal investigators advised that over time they have identified a number of specific physical problems with the driver licence. Using relatively simple methods, these problems allow the removal and/or modification of data on the card so that a person can assume the identity of the legitimate licence holder – resulting in a fraudulent licence. Victoria Police also confirmed that it had similar concerns.

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[21]   Ibid., pp.28-29.
[22]   VicRoads Annual Report 2002-03, p.36.

The sheer number of Purana Taskforce persons of interest who have obtained, used, discussed or created false and fraudulently obtained Victorian driver licences suggest that the system requires further security mechanisms to be put into place.

Fraudulent licences are used for a variety of purposes: by under-age persons to gain entry into licensed premises; by persons who wish to continue to drive when their legitimate licence has been cancelled or suspended; and more significantly, by persons planning to commit crime, particularly financial deceptions using false identities against both private and public institutions, as the following case studies illustrate:

Case study 1 – Identity fraud

A 24 year old Southbank man was arrested and named as the alleged key figure in one of Australia's largest identity crime syndicates.

The man was arrested by AFP as part of Operation Hickey, a 13-month investigation into the manufacture of high quality counterfeit documents, including Medicare cards, passports, bank cards and driver licences.

He appeared in the Melbourne Magistrates Court and will be extradited to the Central Local Court in Sydney to face 37 State charges and five Commonwealth fraud charges.

AFP National Coordinator, Rob Tunnicliff, said the arrest marked the closure of a major investigation. "The Taskforce will allege in court that this man was the key principal in this extensive ID crime syndicate, which was operating across the eastern states. The Taskforce has been actively pursuing this man for the last six months", he said.

Case study 2 – Using false driver licence to avoid capture
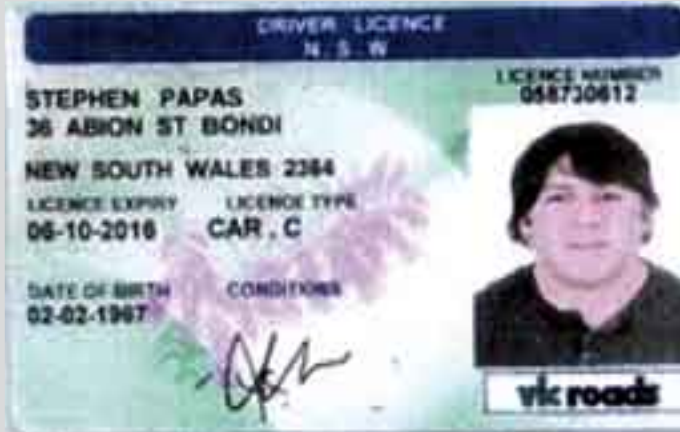
Convicted of drug trafficking in his absence and later charged with murder by Victoria Police, organised crime figure Tony Mokbel fled Australia before the end of his trial for drug trafficking. When eventually apprehended in Greece, he was found with the above false 'Victorian' driver licence, as well as a false Australian passport. The forgery is headed 'Driver Licence NSW' but is otherwise a replica of a Victorian driver licence.

A sample of 22 cases involving the use of a driver licence as proof of identity that were investigated by VicRoads Investigations and Anti Corruption Group between October 2002 and May 2007 showed financial deceptions totalling more than $5 million. This is apart from investigations conducted by law enforcement agencies, Commonwealth agencies (such as Centrelink, Medicare, Department of Immigration and Citizenship, and Department of Foreign Affairs and Trade) and the banking sector.

A representative from Centrelink advised my officers that in 2006-07 they detected 1,708 identity-related fraud cases involving an estimated cost of $19.4 million. In a number of these cases, a driver licence was used as proof of identity.

I was also advised by Centrelink:

> A large proportion of recently detected frauds involve the misuse of identity for employment. There are a large number of customers who work in one name and claim welfare payments in another. One project alone targeting this activity realised over $5 million in debts nationally with the problem areas being Sydney, Melbourne and the Gold Coast. A recent case in Victoria involved a female who had been employed for over 25 years in another identity and was detected three months before she was due to retire.

VicRoads internal investigators also indicated that no comprehensive review of the security features of the driver licence had been undertaken, although they had made numerous requests to management for such a review. This was despite the fact that new fraud cases revealed more sophisticated methods were being used to breach the security features of the licence and to produce high quality fraudulent licences.

When asked why no changes had been made to the licence in response to these concerns, my officers were told: 'We haven't had the support though we've demonstrated the need for new security features'. VicRoads investigators consider that at a minimum, a review of the security features of the driver licence should be conducted every two years.

Leigh Mardon, the service provider involved in the manufacture of the driver licence, advised that it had made a number of recommendations to VicRoads to change aspects of the licence in order to enhance its security features. None of these suggestions (the majority at no extra charge to VicRoads) has been taken up by VicRoads.

Victoria Police also expressed concern at the lack of security enhancements made to the driver licence by VicRoads since its introduction in 1996. Despite being provided with examples of how the security features had been compromised, no action was taken by VicRoads. One senior officer stated:

> They [VicRoads] give these licences out without too much due diligence as to who they're actually giving them to.

Since the commencement of my investigation, VicRoads has commissioned a consultant to review the security of its driver licence card in order to consider the most appropriate delivery model for licences and to incorporate these findings in the tender for the new manufacturing contract, which commences in 2008. The review concluded 'since implementation, at some stage, all security elements on the current VicRoads licence have been replicated or compromised for fraudulent use'.[23]

Facial recognition software

VicRoads has recently had a consultant review developments with facial recognition software to determine whether it is an effective means of addressing identity fraud.

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[23]   Strategic Safety Solutions, *Delivery of a Secure Proof-of-Identity Driver Licence, Independent Review, Assessment and Recommendations for VicRoads,* July 2007, p.3.

The report recommended that VicRoads should proceed to a business case for the use of facial recognition technology.[24] The report identified the following benefits for VicRoads in using this software in the issue and renewal of the driver licence:

- As a positive starting point in the identity chain (for example if the other identifiers such as the name provided are inaccurate or false, the unique facial recognition features can be used as the foundation for future identity checks)
- As a means of verifying the applicant against a known photo identification – if the corresponding information provided is inaccurate or misleading, an investigation can be triggered
- As a validation against a driver licence renewal.

Discussions with Victoria Police, AFP and a number of licensing authorities in Australia have confirmed that facial recognition technology has been successful in matching images from a licensing database to images in other databases. Although not able to be used in evidence, it has allowed significant and successful enquiries to be undertaken far more quickly than using conventional policing methods. In my opinion, the incorporation of this software into the process for issuing and renewing driver licences and permits would reduce identity fraud and significantly strengthen security arrangements.

Conclusion

I consider it unsatisfactory that VicRoads has failed to undertake a comprehensive review of the security features of its current driver licence (introduced in 1996) until March 2007 and only after I had commenced my investigation. For reasons that I am unable to determine, warnings from its own internal investigators and Victoria Police that the security features on the licence had been breached and a review of security of the card was warranted were ignored.

My officers were advised that prior to August 2006 no specific risk assessment had been undertaken for the Registration and Licensing (R&L) business of VicRoads. Previously the risk in the R&L business had been dealt with in the VicRoads Corporate Risk Management Plan.

I note that the risk management and mitigation assessment which has now been prepared lists identity fraud as R&L's biggest single area of risk.[25] The security of the driver licence is, in my view, a key element in mitigating such a risk. The delay by VicRoads management in conducting the assessment is of concern. It

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[24] VicRoads, *Facial Recognition to Reduce Identity Fraud, Industry Analysis,* 13 December 2006.
[25] Ibid.

suggests a reluctance to proactively identify, assess and act on significant risks associated with a core part of its business – the provision of the driver licence.

The current review of the driver licence production contract which goes to tender in 2008 provides VicRoads with a valuable opportunity to review the security of the driver licence card. Through this process, VicRoads can address the deficiencies of the current driver licence and include provision in the new contract to ensure a regular review of the security features of the licence.

In response to these concerns VicRoads stated:

> *VicRoads recognises that registration and licensing systems and practices can be improved. The studies and investigations commissioned by VicRoads, which have formed the basis of many recommendations in the* [Ombudsman's] *report, demonstrate our willingness to identify improvements to our system. The ERC bid for a redeveloped registration and licensing system supports the view of improving our systems.*

Recommendation 1

I recommend that VicRoads review the security features of the Victorian driver licence as a matter of urgency.

VicRoads response:

Accepted. VicRoads commissioned a consultant (Strategic Safety Solutions) to undertake a review of the security of the Victorian driver licence. The report was completed in July 2007 and is currently being considered. Some recommendations will require consideration by Government.

Recommendation 2

I recommend that VicRoads ensure that the current review of the driver licence production contract, which goes to tender in 2008, includes consultation with stakeholders about the security features to be incorporated into the new licence.

VicRoads response:

Accepted in principle. Consideration is being given to determining initiatives that can be practicably implemented under the current contract. A one year contract extension is proposed in order to consider and incorporate strategic findings from recent investigations, consultation with key stakeholders and the contents of the Ombudsman's report into a new contract. The tendering of the new contract will then occur in 2009.

Recommendation 3

I recommend that VicRoads thereafter undertake an annual review of the security features of the driver licence, and that any review process include input from VicRoads Investigations and Anti Corruption Group, Victoria Police and the manufacturer of the licence.

VicRoads response:

Accepted. Annual reviews will be initiated with the identified stakeholders. The frequency of these meetings will be discussed with these stakeholders.

Recommendation 4

I recommend that VicRoads incorporate the security review of the driver licence into the Registration and Licensing Risk Management and Mitigation Assessment Plan.

VicRoads response:

Accepted.

Recommendation 5

I recommend that VicRoads introduce the use of facial recognition software as part of the process for issuing and renewing driver licences and learner permits.

VicRoads response:

Accepted in principle. This recommendation is affected by the review referred to in recommendation 1.

The sophistication of identity fraud, and its reach beyond state and national boundaries, requires a comprehensive approach. VicRoads recognises that it has a role to play in identity management and is actively working with Department of Premier and Cabinet, Victoria Police, Department of Justice and other relevant parties in tackling identity fraud. It is understood that Department of Premier and Cabinet has created an Identity Policy Unit. The unit is establishing a whole-of-government identity management working group, which will include VicRoads.

VicRoads has taken some steps to identify improvements to its processes, including a trial of facial recognition software in early 2007. The feasibility of how this system can be made interoperable with the Police iFace program is currently being investigated.

The issue is significant and the use of facial recognition is among a number of initiatives currently being considered for identity management with a business case to be prepared for consideration in 2008-09. The implementation of identity management initiatives will be considered once the policy issues have been resolved.

4.   IDENTITY FRAUD

Driver licence as a proof-of-identity document

The Victorian driver licence is now used as a primary means of authenticating the identity of a person in a wide range of government and commercial transactions. For example, both the Australian Electoral Office and the Victorian Working with Children Program require a driver licence as an authority to prove identity.[26]

On a national level, identity security is central to Australia's security, law enforcement and economic interests and vital in protecting citizens from the theft or misuse of their identities.

Identity fraud

In 2001 a report from the Commonwealth Attorney-General's Department estimated that the cost of identity-related fraud to be in excess of $4 billion per year.[27] The Australian Crime Commission indicated that this community, business and personal cost is growing annually.

It has been estimated that:

- 25 per cent of reported frauds to AFP involve the assumption of false identities.
- A pilot of 'certificate validation service' conducted by Westpac and the NSW Registry of Births, Deaths and Marriages found 13 per cent of birth certificates to be false.
- Centrelink detected approximately $19.4 million worth of fraud involving 1,708 false identity cases in 2006-07.
- A survey by KPMG of 1,800 of Australia's largest businesses found some 11.9 per cent of fraud committed by outsiders involved the use of false documents.

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[26]   This is now a statutory requirement.
[27]   Main and Brett Robson, Commonwealth Attorney-General's Department, *Scoping Identity Fraud,* September 2001.

AFP advised:

- Identity fraud is presenting a growing threat throughout the world and a false identity provides a means of committing a wide range of criminal activity.
- Issuing agencies world wide are interdependent on the integrity and process each maintains.
- Most government agencies and financial institutions have significantly upgraded their 'security of identity' where the client receives a benefit from proving their identity. (Examples include passports and visas, birth certificates, Medicare cards and credit cards.)

Identity security – now a national priority

Since identity fraud has implications for all jurisdictions, a number of national forums are currently addressing issues related to 'identity security'.

A national Proof of Identity Framework has been adopted as a best practice guideline to assist government agencies to identify clients. It requires clients to present ID documents in each of the following four categories:[28]

1. Evidence of right to be in Australia (birth or arrival).
2. Linkage between identity and person (photo and signature).
3. Evidence of identity operating in the community.
4. Evidence of residential address.

The photo driver licence falls within category two.

Assessment of the security of the Victorian driver licence

Earlier this year, following a request from VicRoads, the Australian Crime Commission prepared a report on the security of the existing driver licence in Victoria. The key findings included:[29]

- 164 confirmed events between 2003 and 2006 where the Victorian driver licence has been known to facilitate a fraud (33 counterfeit licences).
- At least another 4,631 events where the use of this licence is suspected, but not confirmed.
- From 2002 to 2007 there were 949 cases of counterfeit Victorian licences identified by the Australian Identity Protection Register (compiled from data provided by law enforcement and government authorities).

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28   Discussed in ICAC, *Protecting identity information and documents—Guidelines for public sector managers,* December 2006, p.11.
29   Details included in the report by Strategic Safety Solutions, *Delivery of a secure proof-of-identity driver licence – Independent Review, Assessment and Recommendations,* p.18.

VicRoads – experience with identity fraud

Since 2002 VicRoads' internal Investigations and Anti Corruption Group has investigated 2,015 cases of fraud related to Victorian driver licences or applications to obtain a licence.

The workload of the Group has increased dramatically in the past two years, due mainly to a large increase in the number of people obtaining or attempting to obtain a licence in a false name and to the increased counterfeiting of licences.

A sample of 22 investigations undertaken since 2002 in which a driver licence was used as proof of identity revealed the total value of financial deceptions to be more than $5 million, with an average cost of $229,272. Of significance is that the total value of two of the deceptions alone amounted to approximately $2 million.

Many of the Group's investigations involve individuals with multiple identities and multiple identities using the same licence number. A trial of facial recognition software undertaken in conjunction with VicRoads' licensing manufacturer, Leigh Mardon, found 361 people who had multiple photographs in the licensing system. In one example 46 licence records were sourced to one individual.

Conclusion

Identity fraud is a growing problem for the Australian community. The use of the driver licence to commit such fraud requires VicRoads to be proactive in dealing with the issue.

5. COMPROMISING THE INTEGRITY OF THE DRIVER LICENCE

Lack of security features

VicRoads internal investigators and Victoria Police advised that advances in computer technology, particularly desk top publishing, mean that fraudulent licences can now be produced with very basic computers, inexpensive off-the-shelf software programs and printers.

My officers were provided with examples of fraudulent licences produced by secondary and tertiary students using computer software and basic printers. These licences were primarily used by people under 18 years of age to obtain entry into licensed premises. AFP and Victoria Police also provided examples of more sophisticated forgeries produced by criminals for use in identity crimes, particularly financial deceptions.

Victoria Police advised that fraudulent licences are used by organised crime figures to conceal their identity in the event of detection in the commission of a crime and to hinder police enquiries into their illegal activities. It said:

> The pattern of [organised crime] using false driver licences stems from the ease of obtaining them, and the inability of VicRoads to detect them once fraudulently issued.

AFP's Identity Crime Task Force also considers that the security features of the Victorian driver licence have been compromised. It advised my officers that fraudulent driver licences are used in various ways to commit a variety of crimes, including financial deceptions, Medicare fraud, Centrelink fraud, drug production, money laundering and potential terrorist acts. Two case studies provided to my officers showed financial deceptions totalling $4.3 million were committed against private financial institutions where the prime identity document had been a forged driver licence.

Case study 3 – Identity fraud case involving a driver licence

Con artists tricked pros

Husband and wife con artists with a liking for luxury cars were remarkably successful at deceiving 11 financial institutions out of hundreds of thousands of dollars, a judge has said.

Ms X, 41, and Mr Y, 49, tricked finance providers out of a substantial amount of cash between January and October 2003.

The couple used bogus driver licences, pay slips, employment letters, rate notices and Medicare cards in their scam. Ms X used at least 15 identities; Mr Y at least 6.

A jury found Ms X, of Epping, guilty of defrauding $314,128 and of trying to defraud $725,046. Mr Y, of Lalor, admitted defrauding $308,598 and trying to obtain $950,646.

The judge jailed Mr Y for 5 years and 10 months with a minimum sentence of 2 years and 6 months. His estranged wife will spend at least 3 years in jail, with a maximum sentence of 6 years and 5 months.

All the law enforcement agencies with which my officers spoke indicated that organised crime groups are increasingly turning their attention to identity crime.

Problems with licensing consumables

As part of the 'over-the-counter' provision of driver licences, all VicRoads customer service centres can produce licences. 'Over-the-counter' licences are given to applicants when they attend any one of 38 centres located in metropolitan and regional Victoria. Approximately 65 per cent of all licences are produced at the centres. The remainder is produced by Leigh Mardon at its Perth factory.

As part of its contract with VicRoads, Leigh Mardon provides all the consumables involved in the production of licences and delivers them to the customer service centres. This includes licence printers and their consumables, such as printer and hologram ribbons, as well as the blank plastic cards on which the licences are printed.

The licence printers contain a roll of holograph film and a colour printer ribbon. At some point in time VicRoads discovered that the colour printer ribbon retains an exact imprint of the image of both sides of every driver licence that is created on it. A colour printer roll can hold up to 300 driver licence images before it needs to be changed.

My officers were shown examples of false licences that have been created from such imprints. In such examples the photo and signature are removed and replaced with another image, while the genuine licence holder's details, including their name and address, are retained.

Law enforcement agencies advised me that this type of fraudulent licence is the most difficult to detect. It can also be used in cases of identity theft. The effect of an identity theft can be significant. One victim whose identity was stolen stated:

> He [the offender] managed to open up a bank account, and then from there bought a car, and then from there got credit cards, and the more things he did with the card, he obtained more ID to get more credit, and just furthering and furthering his way up my credit history basically. … He even changed my driver's licence address to a different address.

Theft of equipment

Since 1998 seven licence printers have been stolen from VicRoads' customer service centres and from one agency. Some thefts included consumables. They occurred as follows:

Table 5.1 – Theft of equipment

Date	Customer Service Centre/Agency	Stolen Items
July 07	Broadmeadows	Licence printer
May 05	Cobram Shire Office	Licence printer One full holographic ribbon (from a locked cupboard) Holographic and number ribbons (left in printer – containing names and addresses)
June 04	Techicard	Card printer Holographic film and approx. 500 blank credit sized cards
May 04	Burwood	2 Licence printers 2 Holographic overlay ribbons (left in printers)
Sep 01	Carlton	A Photo Point personal computer A Photo Point camera
Aug 01	Greensborough	Licence printer
July 98	Werribee	2 Licence printers

A number of driver licences produced on two of these printers were subsequently modified and then used by criminals to create new identities to avoid detection in the commission of significant and serious criminal offences. I was advised that at least one of these thefts was most likely perpetrated by a known criminal group.

VicRoads advised that it wrote to each person whose details were on the printers stolen from the Cobram and Burwood offices, advising them of the theft and asking them to contact VicRoads to obtain a replacement licence with a new number.

The most recent theft took place from VicRoads' customer service centre in Broadmeadows in July 2007. The thief(s) removed the licence printer and took nothing else. This further confirms the advice given by law enforcement agencies that criminals place a high value on licence printers and consumables, both used and unused.

In response to these issues VicRoads stated that 'a number of initiatives have been put into place since 2005 to improve the security of licence printers and consumables with no licence consumables having been stolen since 2005'.

In 2006 VicRoads internal auditors, PricewaterhouseCoopers (PwC), assessed the compliance of the customer service centres with a number of key financial and management controls in VicRoads policies and procedures including digital licence consumables. PwC assessed licensing consumables as an activity where non-compliance could result in a 'high level of exposure to loss, business interruption or reputational damage, as a result of policy or procedure being breached or absent.'.[30]

The internal auditors found:[31]

> Whilst non-compliance was prevalent across all activities reviewed, the highest area of exposure was licensing consumables, particularly in respect to:
>
> - stock arrivals and usage not properly recorded
> - consumables not secured in accordance with policy and procedures
> - segregation of duties not robustly enforced between handling consumables and recording their use
> - destruction of reject licence cards not performed in a timely manner.
>
> Given the sensitivity surrounding the security of licence cards and their 'de facto' use as a Victorian identity card, VicRoads needs to take action to reinforce the importance of compliance with policies and procedures in this area.

In its 2007 report PwC made similar findings regarding licence consumables. A further significant finding was that there was '…insufficient evidence that discrepancies identified by weekly stock balancing processes were properly investigated and/or escalated.'.[32]

The internal auditors concluded:[33]

> It is highly unlikely that 100% compliance will ever be achieved across all customer service centres and in all areas of business activity. …in areas where non-compliance could result in significant exposure to VicRoads, the tolerable level of non-compliance would be 0%…

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[30] PricewaterhouseCoopers, *Customer Service Centre Health Check,* August 2006, p.4.
[31] Ibid.
[32] PricewaterhouseCoopers, *Customer Service Centre Health Check,* May 2007, p.4.
[33] Ibid., p.2.

One such zero tolerance area noted by the internal auditors is licence consumables.[34] All the law enforcement agencies consulted by my officers, both in Victoria and interstate, consider the management of driver licence consumables as a high risk area for all licensing authorities. Allowing customer service centres to produce driver licences over-the-counter provides an opportunity for potentially fraudulent activities.

The law enforcement agencies advised my officers that such opportunities are significantly diminished when the production of all licences is centralised. This arrangement also makes auditing and accounting for consumables easier and more secure. It also decreases the number of people handling consumables to a small core group.[35] This in turn makes any investigation of theft far simpler.

Conclusion

I have concerns about the business practice of allowing customer service centres to issue instant 'over-the-counter' driver licences. I note that other states have either dispensed with such a model or are phasing it out due to security concerns. In my opinion, the theft of licence printers and consumables over recent years highlights the risks associated with this 'over-the-counter' production of VicRoads driver licence.

I am not satisfied that VicRoads has adequate controls over its licensing consumables. I am concerned about the significant problems highlighted by its internal auditors, PwC, in its last two yearly reviews.

Recommendation 6

I recommend that VicRoads cease providing an 'over-the-counter' driver licence and learner permit and move as soon as practicable to a 'deferred' service delivery model.

VicRoads response:

Accepted in principle. VicRoads recognises the issues that underpin this recommended course of action. Options to resolve these issues and their impacts are currently being considered prior to implementation.

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34   Ibid.
35   Ibid.

Recommendation 7

I recommend that VicRoads centralise the production of all licences so that they are no longer produced at customer service centres.

VicRoads response:

Accepted in principle. This recommendation is associated with recommendation 6. The impact of this recommendation is currently being considered prior to its implementation.

Recommendation 8

I recommend that VicRoads ensure that follow-up action is taken where necessary on the internal audit report, *Customer Service Centre Health Check,* which was prepared by PricewaterhouseCoopers in May 2007.

VicRoads response:

Accepted. The current status of the audit action for the May 2007 report is that four actions are completed, with the outstanding four actions due to be completed by December 2007.

Recommendation 9

I recommend that, as a matter of urgency, security arrangements in VicRoads customer service centres be upgraded to digital cameras.

VicRoads response:

Accepted. VicRoads expects that all high risk customer service centres will be upgraded to digital cameras by the end of 2007-08. It is proposed to complete this upgrade for remaining customer service centres by the end of 2008-09.

Duration of driver learner permit

A learner permit is issued for 10 years from the date of issue. It can be renewed for a further 10-year period.[36] There is no limit to the number of times a learner permit can be renewed. It is not necessary to re-sit the permit test if, when applying for an extension, the learner permit has not expired for a period greater than five years.[37]

A senior VicRoads officer stated that the 10-year period was to ensure that learners did not feel rushed to obtain their driver licence:

> …we'd like to encourage [learners] to get as much practice as [they] want. So the 10 years is kind of an arbitrary thing…I don't think they would mind you having it forever.

Another senior VicRoads officer had a very different view:

> …it's just ridiculous. I mean, anyone who is holding a learner permit for 10 years is –there's something wrong and they'd be a danger on the road, because it should be something one year, two years at most.

A senior VicRoads customer service officer stated that the 10-year period was implemented because 'VicRoads likes the 10-year licences because we don't have to see the customers as often and it is a cost saving for us'.

Only in Victoria can a person have a learner permit that lasts for 10 years. In Queensland and Tasmania permits are issued for three years and in NSW for five years. In all other states and the Northern Territory the learner permit is valid for periods of not greater than two years.[38]

In its 2003 report, *Graduated Driver Licensing: Effectiveness of Systems & Individual Components* which reviewed developments in other states, Monash University Accident Research Centre found that the shorter permit periods did not have an adverse impact on road safety. The report made no recommendation as to a maximum period, but did recommend that all states have a mandatory minimum period of learner supervision of at least six months.[39]

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[36] Regulation 212(3) Road Safety Act Regulations 1999. A learner permit allows a learner driver to drive a car on a public road with a supervising driver.

[37] VicRoads website http://www.vicroads.vic.gov.au/Home/Licensing/LicenceRenewalOrReplacement/ Renewing ALearnerPermit.htm.

[38] Monash University Accident Research Centre, *Graduated Driver Licensing: Effectiveness of Systems & Individual Components,* October 2003, p.XIV.

[39] Ibid., pp.33-34.

A learner permit is accepted as a proof-of-identity document in the same manner as a driver licence. Victoria Police stated that in its view the 10-year period was too long and out of step with other jurisdictions. It said that learner permits were used to commit fraud and other identity-based crimes. One offender possessed 40 permits in different names. Victoria Police noted that there is no follow-up by VicRoads if a permit holder never takes the driving test. In its opinion there 'should be a sunset clause, say two years, after which time if you have not obtained your licence, you have to go back to renew'.

VicRoads recently conducted a trial of facial recognition software using a sample of 200,000 permit holders aged between 25 and 35 years. Three hundred and sixty-one people were identified as having 1,111 multiple records. One individual was identified as possessing 35 permits. This is clearly a high risk area that is potentially open to fraudulent activity.

Conclusion

I view the 10-year validity period for a learner permit to be excessive. During that time road laws may change and an individual may undergo medical, physical or behavioural changes which may affect their capacity to drive safely. Allowing the holder to go unchecked for that time period with no follow-up by VicRoads may compromise road safety.

Victoria Police also identified the 10-year validity period for a learner permit as one of the main reasons for it being used to commit identity crime. No other Australian jurisdiction has a permit that is valid for such a long period.

I consider that a maximum period of no more than two years is warranted. This period should be sufficient for a learner driver to have sufficient practical experience to gain a driver licence.

However, bearing in mind the experience of other states and territories, together with research undertaken in this area, I consider that VicRoads should review the current 10-year learner permit with a view to bringing it in line with other jurisdictions.

The 10-year driver licence

The law enforcement agencies consulted by my officers considered the issuing of a driver licence for a 10-year period to be excessive. They viewed it as too long before a person was required to renew their licence by revalidating personal details and updating their photograph. Similarly with learner permits,

the agencies considered that the 10-year period contributed to the prevalence of identity crime and made it difficult to detect offenders. The consultant engaged by VicRoads to review the security of proof-of-identity procedures related to the driver licence identified the following reasons for the 10-year licence being counter-productive to security:[40]

- The photograph likeness on a visual inspection is likely to change considerably during that period. While the actual physical characteristics do not change (as far as identifiable features for facial recognition), personal identification cannot be guaranteed.
- Address details – while the obligation is on the holder to notify any change of address, it is well recognised that this does not occur and hence any problems with the accuracy and integrity of the current database are exacerbated.
- Inconsistencies in the VicRoads database as identified in previous reviews (names, spelling, addresses), are unlikely to be cleared in the 10-year licence regime without a massive overhaul of data matching, fuzzy matching and extensive investigations.
- Automatically processed renewals (with an updated photograph) are premised on the basis that the original details or identity and authenticity are accurate. There is no effective process to revalidate the integrity of the original identity and information.
- Within the 10-year period, there is also likely to be many medical, physical and behavioural changes to the individual which would go unchecked for that time period.

In response to this, VicRoads made the point that 'of the five dot points listed, not all will be resolved by reducing the 10-year licence period'.

Some VicRoads officers raised concerns about the impact on road safety of the automatic renewal of licences for 10 years, particularly in relation to older drivers. Currently on the expiry of their licence, licence holders aged less than 75 years are automatically issued with a 10-year licence. Drivers aged 75 years and over are automatically issued with a three-year licence. Unlike some other states, Victoria does not require a mandatory medical examination or re-testing of licensed drivers once they reach a specified age.

The 10-year period is also at odds with VicRoads' own policy on the use of digital images. VicRoads requires a person whose digital image is more than five years old to have a new digital image taken if they are renewing their licence. I was advised that this is to ensure the image held by VicRoads is reasonably up-to-date.

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[40] Strategic Safety Solutions, *Delivery of a secure proof-of-identity driver licence — independent review, assessment and recommendations*, dated July 2007, p.39.

Conclusion

I consider that there is significant evidence to support a decrease of the 10-year licence period. I consider that a driver licence should be issued for either a three or five-year period.

I also consider that introducing facial recognition software in the licensing system will reduce duplicate records, as well as increase the likelihood of fraudulent applications being identified at an early stage.

Recommendation 10

I recommend that VicRoads consult with expert bodies (such as Monash University Accident Research Centre), Victoria Police and its own internal Investigations and Anti Corruption Group to determine a more appropriate timeframe for driver licences and learner permits than the current 10 years, taking into account the factors I have previously mentioned.

VicRoads response:

Accepted.

Recommendation 11

I recommend that VicRoads extend the facial recognition trial to include all driver licence records.

VicRoads response:

Accepted in principle. Please refer to response to recommendation 5.

6.   DRIVER LICENCE DATABASE

Statutory responsibilities

One of the core statutory responsibilities of Vicroads is to maintain accurate registration and licensing databases, particularly to enable the identification of drivers for the purposes of law enforcement.[41]

VicRoads driver licensing system was redeveloped in February 2002 at a cost of $26.5 million. The system contains Victorian driver licensing and permit information, including evidence of identity, residential address, concession details, change of name and deceased person data.[42]

Electronic Data Services (EDS) is the contractor responsible for the provision, maintenance and enhancement of the hardware and software for the driver licensing system.

Currently there are around 3.5 million licensed drivers in Victoria, with this number continuing to grow. At present there are more than 8 million images on the system. VicRoads licensing database is considered to be the most comprehensive and authoritative source of Victorian citizen information available.[43]

A number of stakeholders, including the Department of Justice, Victoria Police, local councils and toll operators, rely on the data contained in the licensing system to:

- manage compliance
- assist in investigations
- facilitate debt recovery and billing systems for speed camera offences, parking fines, toll breaches and other fines.

It is therefore essential that the information contained in the licensing system be accurate, up-to-date and responsive to the needs of stakeholders. Table 6.1 shows VicRoads' current registration and licensing business systems and the various agencies and other bodies with which they interact, together with the functions undertaken.
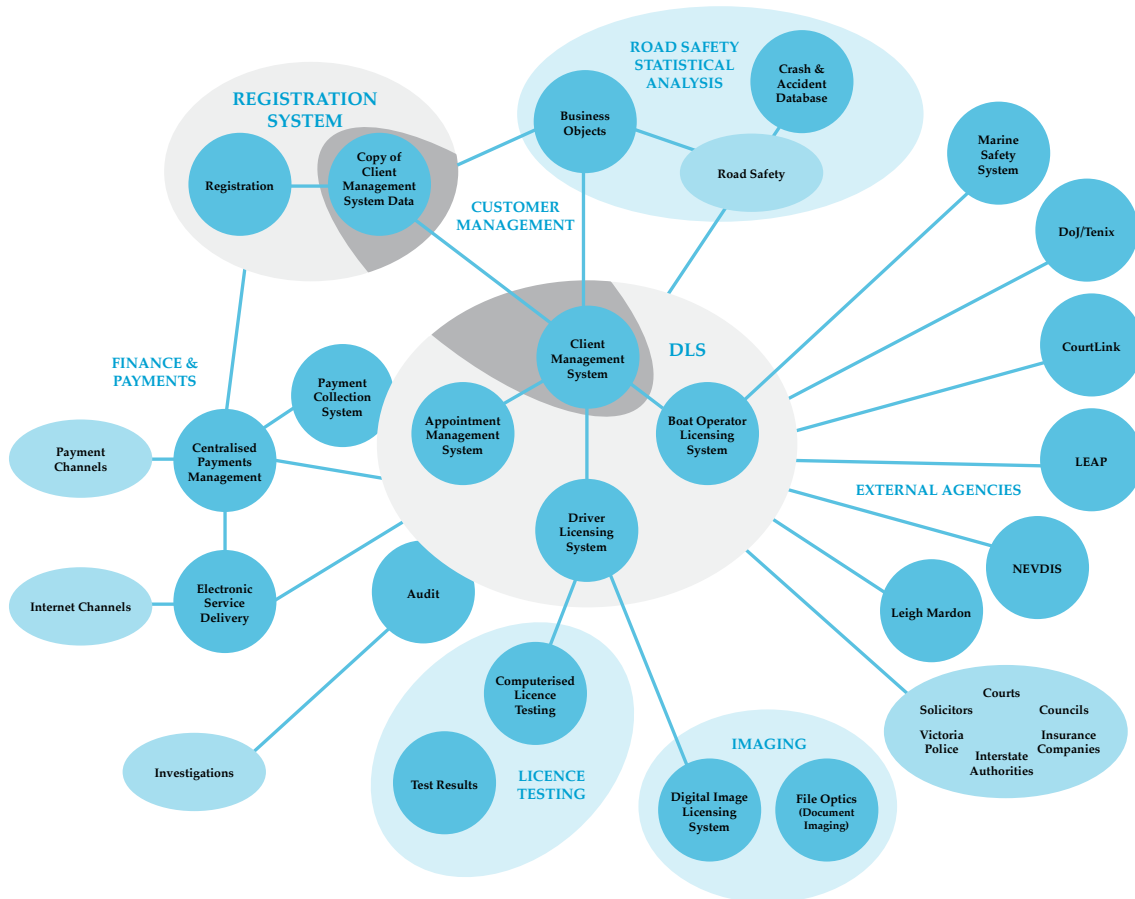
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[41]   Subsection 17(d) of *Road Safety Act 1986*.

[42]   VicRoads, *Registration and Licensing Projects, PJRLP15 DLS Data Integrity Review, Analysis of Data Integrity Issues*, p.7.

[43]   VicRoads, *Registration and Licensing Projects, Driver Licensing System Review and Strategy – Analysis of the "As Is" Environment*, p.14.

Table 6.1 – VicRoads driver licence system

The major components of the licensing system have been in place since 1988. A number of internal and external reviews[44] have been carried out due to the increasing risk of system failure and the rising degree of divergence between the capabilities of the system and the business requirements of VicRoads and other agencies. The reviews have recommended that both the registration and licensing systems be upgraded or replaced and that the registration and licensing functions be provided through a single system.

Since 2006 there have been three reviews of the driver licensing databases. The reviews[45] have dealt with the current system, the integrity of data in the driver licensing system and the future of the Driver Licence System database systems.

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[44] VicRoads, *Registration and Licensing Projects, Analysis of "As Is" Environment Report,*
VicRoads, *Registration and Licensing Projects, Analysis of Data Integrity Issues Report,*
VicRoads, *Registration and Licensing Projects, Strategic Direction Report.*

[45] VicRoads, *Registration and Licensing Projects, Analysis of "As Is" Environment; Analysis of Data Integrity Issues; Strategic Direction Report.*

Both the Driver Licence System and the Vehicle Registration Information System are described as '… based on ageing underlying technology platforms that are going to become obsolete, or at the very least continue to be increasingly expensive to support and maintain, in the next decade'.[46]

The reviews[47] reveal major and significant weaknesses with the current licensing system, such as:

1. Multiple client records can be created for the same person.
2. A large number of unaddressed data issues require workarounds.
3. Business rules are not incorporated into the Driver Licence System, particularly those relating to special licence conditions and suspensions, cancellations and disqualifications.
4. In order to reduce costs, a decrease in the amount of data collected for audits has resulted in the audit trails and records of the Driver Licence System not meeting VicRoads' business needs.
5. There is limited ability to extract and manipulate data for management reporting and statistical analysis.
6. The complexity of the underlying systems means high costs for system changes. As a consequence, usability issues remain unresolved.
7. Reliance on batch processing causes delays in updating internal records, especially payment information.
8. No data archiving or cleansing has taken place since the introduction of the new Driver Licence System in 2002.
9. The appointments system and processes are complex.
10. Staff cannot access a client's full licence history on one screen.

It was noted that '…these issues have been known for some time, and they have been worked around or otherwise tolerated'.[48]

The Strategic Direction Report recommended that a list of the top 10 'pain points' (or problem areas) in relation to usability and productivity issues be submitted to VicRoads business area planning process with a view to securing funding to address them in 2007-08.[49]

In 2007 it was recommended that VicRoads increase its current Victorian Registration System Redevelopment Project to include the licensing and appointment booking function of the licensing system so that a combined

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[46] VicRoads, *Registration and Licensing Projects, Driver Licensing System Review and Strategic Direction Report,* 19 February 2007, p.31.

[47] VicRoads, *Registration and Licensing Projects, Analysis of "As Is" Environment Report;* VicRoads, *Registration and Licensing Projects, Analysis of Data Integrity Issues Report;* VicRoads, *Registration and Licensing Projects, Strategic Direction Report.*

[48] VicRoads, *Registration and Licensing Projects, Driver Licensing System Review and Strategic Direction Report,* 19 February 2007, p.39.

[49] Ibid., p.40.

registration and licensing system could replace the Driver Licence System and Vehicle Registration Information System in 2010-11.[50]

As previously noted, the trend in other jurisdictions is to incorporate both registration and licensing functions into one system.

Customer service officers

My officers were told that the driver licensing system has limited functionality and that this directly impacts on the ability of customer service officers to work efficiently. One example is the re-setting of a customer service officer's password:

> When a [Driver Licence System] password is reset, the staff member cannot log back on for approximately 20 minutes. This causes loss of productivity, which is especially severe in small offices or during peak periods.[51]

Customer service officers are not able to access a client's full licence history on one screen in the Driver Licence System, nor can they access scanned documents. Because of the number of multiple records for the same person in the licensing system, searches can take a long time, particularly those involving common names. If information about a person cannot be found on the database within a short period of time, officers find that it is easier to create a new client identity for that person. Multiple records for one client have a significant impact on many aspects of the licensing database. I will deal with this subject in more detail later in my report.

The time pressures under which customer service officers work can also affect their ability to enter accurate data into the licensing system. Customer service officers are expected to serve more than 80 per cent of customers within 10 minutes.[52] This requires a balance between customer service and the need to follow business rules and procedures, particularly those that relate to data integrity. This balancing act can be difficult to achieve when more complex transactions are involved, such as establishing a client's evidence of identity.

In its 2007 report *Evidence of Identity Review,* PwC – VicRoads' internal auditors – examined the new Evidence of Identity (EOI) standards introduced by VicRoads on 1 July 2006:

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[50] Ibid., p.51. As a result of decisions made by the Expenditure Review Committee, the new system will not be operational until 2012-13 at the earliest.

[51] Ibid., p.59.

[52] PricewaterhouseCoopers, *Evidence of Identity Review,* 2007, p.1.

- Of the 50 registration application forms sampled, only two per cent showed that staff had confirmed the client's evidence of identity.
- Of the 36 licence applications sampled, evidence of identity was confirmed in only 11 per cent.
- In all new driver licence applications reviewed, none had the 'previous name' section completed, nor was it crossed out to indicate that it was not applicable.

The internal auditors also found that customer service officers do not usually retain copies of documents offered as evidence of identity.

VicRoads conceded that it 'does not require its staff to retain copies of evidence of identity documents. Where staff are required to complete application forms, they are required to record which EoI [Evidence of Identity] documents they have sighted and their respective identifiers. These details are also transposed into VicRoads Driver Licence System. A business rule is currently being developed to formally document the above standard practice'.

One of PwC's recommendations was that VicRoads give consideration to 'reviewing its customer service standards so that staff have a greater period of time to consider the validity of such applications'.[53]

Conclusion

It is clear that the current driver licensing system is cumbersome. This impacts on the cost effectiveness and efficiency of VicRoads business processes. In my view it should be replaced as a matter of urgency. This issue is further addressed later in my report.

Recommendation 12

I recommend that VicRoads review the findings of PricewaterhouseCoopers' report, entitled *Evidence of Identity Review,* and particularly the recommendation that customer service officers be given more time to conduct 'proof-of-identity' checks.

VicRoads response:

Accepted. The four actions have been completed and additional staff have been provided across customer service centres. The process of 'proof-of-identity' checks will be further reviewed.

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[53]   Ibid., p.4.

Best practice customer enrolment principles for driver licensing

Austroads[54] is developing best practice customer enrolment principles for driver licensing so that all Australian jurisdictions will have robust and consistent policies and procedures relating to identity verification. This model will provide a set of high level processes that:

- represent the best practice methods for verifying identity and mitigating identity-related risk from an operational perspective
- support the 'one driver, one licence, one record' principle.

VicRoads compared its current practices with the best practice principles proposed by Austroads. In some important security areas there were notable differences, including:[55]

- During the customer enrolment process, VicRoads only sometimes checks the local and interstate driver licence records to verify the current status of customers.
- When a duplicate customer record is identified during enrolment, VicRoads has no procedural processes to show how to investigate the incorrect entry and remove it from the system.
- When a customer service officer is unsure about whether the photograph on the Driver Licence System matches the individual present, VicRoads indicated that the concurrence of another customer service officer is sometimes sought and rarely recorded.
- During customer enrolment, VicRoads has no facilities to check if the evidence-of-identity documents presented have been previously used by the presenter, or another person.
- When a customer requires a referee to verify their identity, VicRoads does not contact the referee.

VicRoads indicated that it complied with Austroads best practice principles for the checking of evidence-of-identity documentation for security features.[56] However, evidence presented to my officers indicated that it was not normal practice for customer service officers to follow the principles because of the pressure to complete each customer transaction within 10 minutes.

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[54] Austroads is the association of Australian and New Zealand road transport and traffic authorities and aims to improve road and road transport outcomes.

[55] VicRoads response to the Austroads questionnaire.

[56] Ibid.

Conclusion

VicRoads has indicated its in principle support to adopt Austroads best practice principles. Before this can be achieved, a significant number of business practices and procedures will need to change which will have cost and resource implications for VicRoads. However, I consider it essential that VicRoads implement the principles proposed by Austroads because they will significantly reduce the risk of fraud and assist in maintaining the integrity and security of the licensing arrangements.

A failure to implement these new principles could, in my opinion, allow Victoria to become the weak link in a national drive to reduce the risk of identity fraud and theft.

In implementing the Austroads proposals, VicRoads needs to improve its training of customer service officers and develop deterrent strategies to discourage and prevent fraudulent activity. It also needs to strengthen its auditing arrangements and reduce the emphasis on self-auditing.

Recommendation 13

I recommend that VicRoads improve training for customer service staff about fraud-related activities, including how to deal with identity fraud and corruption issues and how to authenticate personal identity information.

VicRoads response:

Accepted. A review of current training content and the frequency of that training will be undertaken.

Recommendation 14

I recommend that VicRoads develop strategies to enable its customer service centres to implement Austroads leading practices in driver licensing customer enrolment and evidence-of-identity processes.

VicRoads response:

Accepted. VicRoads current practices meet many of the requirements of the leading practice requirements. Gaps in relation to practices are currently being analysed and VicRoads will implement the most appropriate mechanism.

Recommendation 15

I recommend that VicRoads develop deterrent strategies, such as displaying signs in its customer service centres to indicate clearly that:

(a) offering bribes to staff is a criminal matter and action will be taken

(b) using fraudulent documents or giving false information is a criminal offence.

VicRoads response:

Accepted in principle. VicRoads agrees that deterrent strategies are important. VicRoads will review options, including those proposed, to determine the most effective deterrent strategy.

Recommendation 16

I recommend that VicRoads ensure computer terminals for customer service officers have a screen saver to remind them about the potential for identity fraud and their obligations to protect the privacy of VicRoads customers.

VicRoads response:

Accepted in principle. VicRoads agrees that staff awareness in relation to identity fraud and protection of privacy of customers is essential. VicRoads will review options, including those proposed, to determine the most effective strategy, covering additional training, regular communication via weekly briefings and incorporation into staff performance plans.

Recommendation 17

I recommend that VicRoads review the lack of auditing trails across its business systems and determine the high risk areas which need to be addressed.

VicRoads response:

Accepted.

Audit capabilities

VicRoads Strategic Direction Report '…identified reduced capability in the area of audit...'[57] as one of the main problems with the licensing system. These shortfalls in the audit capacity of the driver licensing system were identified as contributing to '…. an increased risk exposure in the following corporate risks.[58]

1. VicRoads fails to meet its privacy obligations.
2. Offences are committed using VicRoads information and/or systems.
3. VicRoads customers are adversely affected by failure to have adequate controls in place.
4. Failure to protect honest staff from baseless accusations.
5. Ombudsman and/or Auditor-General reports make adverse findings in relation to VicRoads.
6. Reduced ability to provide information legally required for public, media, parliamentary and ministerial scrutiny into VicRoads.
7. Traffic-related offences cannot be prosecuted due to inadequacies or lack of trust in VicRoads information.'.

My officers interviewed a number of VicRoads staff who indicated that they preferred the 'old' driver licensing system because of its superior auditing functions. For example, one officer stated:

> Our old DLS [driver licensing system] gave us everything that we needed to know in the audit system. In other words, if a person accessed a record, just purely and simply looked at it, a record was created. The new DLS didn't have anything like that at all. It recorded the fact that you've looked up a record and updated it, but it didn't tell you what was updated.

The inability to properly audit a record in the licensing system has meant:

> Issues with the DLS audit system are compromising the ability of VicRoads internal investigations unit to mitigate these corporate risks. A number of these issues have been escalated and considered for remediation, but to date, they have not been addressed. Not only does the failure to address audit-related issues undermine the effectiveness of (the internal) Investigations Group, it also increases VicRoads corporate risks.[59]

Multiple client records

A key issue that VicRoads identified in its Driver Licence System Data Integrity Review was the creation of multiple records for a large number of clients. Apart

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[57] VicRoads, *Registration and Licensing Projects, Driver Licensing System Review and Strategic Direction Report*, 19 February 2007, p.8.
[58] Ibid.
[59] Ibid., p.42.

from being a data integrity issue in its own right, it also resulted in slower searches of the database to locate a client.

One reason for the problem was that VicRoads instructed its contractor, Salmat,[60] to create a new record if an exact match with a client's name could not be found. The review concluded:

> The impact of this is great, as a large number of duplicate clients are being created, in turn creating a large proportion of data integrity issues…and the more they are created, the worse the issue becomes.

Of particular concern is the capacity of Salmat to create client records where evidence of identity has not been sighted.[61] The review noted that 'some clients are aware of this…and know that using the "mail" input channel [Salmat] they will most likely have their transaction processed and have their licence or registration renewed regardless of evidence of identity'.[62]

Conclusion

The creation of multiple client records in the licensing system results in a loss of productivity and inefficient work practices. It also decreases the integrity and accuracy of Driver Licence System data. Creating such records without sighting a person's evidence of identity adds to these problems and should be discouraged to minimise the opportunity for identity crime.

Recommendation 18

I recommend that VicRoads review its work instruction to Salmat to minimise the creation of multiple client records and discontinue the practice of creating client records without 'proof-of-identity' checking.

VicRoads response:

Accepted.

Security of data

The National Standard for Information Technology Security Techniques for

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[60] Salmat is a contracted document management company that undertakes specialised high volume licence and registrations transactions, such as licence renewals, for VicRoads.

[61] VicRoads, *Registration and Licensing Projects, PJRLP15 DLS Data Integrity Review, Analysis of Data Integrity Issues*, p.23.

[62] VicRoads, *Registration and Licensing Projects, PJRLP15 DLS Data Integrity Review, Analysis of Data Integrity Issues*, v0.6, p.29.

Information Security Management is ES17799. This standard sets out best practice recommendations for information security management. It defines information security as the preservation of confidentiality (ensuring that information is accessible only to those authorised to have access); integrity (safeguarding the accuracy and completeness of information and processing methods); and availability (ensuring that authorised users have access to information and associated assets, when required).[63]

Although VicRoads has adopted the standard, a senior VicRoads staff member told my officers that '…adopting is one thing, complying with it and getting certification is a different thing and no one is monitoring it'.

VicRoads advised my officers that the position of Manager Security Registration and Licensing Information has been vacant for the past 10 months. According to a VicRoads Senior Manager, this is a key position because this person would be responsible for '…not just systems security, but security issues across the whole R&L business'.

I understand that one of the tasks envisaged for the security manager is to review the setting and monitoring of appropriate access levels to the licensing database for VicRoads staff and external third parties. Appropriate access levels are crucial to maintaining the security and integrity of licensing data.

In its 2003 report entitled *Data Integrity Review New Licences,* KPMG – VicRoads' internal auditors at the time – noted that no access controls had been set in the new licensing system. The only requirements were that the user's personal computer had the Driver Licence System software loaded and that they had a standard VicRoads login. The situation was 'potentially allowing unauthorised access and changes to DLS data'.[64] VicRoads responded by saying that access controls were to be implemented 'in the next 12 months'.

I was advised that no system bar is in place to stop VicRoads customer service staff accessing and changing their own or any other person's records on both the licensing and registration databases. This gives staff the capacity to modify their own vehicle's registration expiry date and licence details. A senior VicRoads officer stated:

> …I certainly don't feel comfortable about it and I'm pretty sure that is a change for our new system… I would rather… remove temptation.

63   http://en.wikipedia.org/wiki/ISO/IEC27002
64   KPMG, *Internal Audit Report, Data Integrity Review New Licences,* 2003, p.18.

In responding to my report, VicRoads stated that 'access controls are set by hierarchy and what is required to serve customers in relation to licensing and registration issue, payment and renewals'.

VicRoads' own *Analysis of Data Integrity Issues Report* confirmed:

> Expiry dates for licences and registration are sometimes updated without payment being provided because some users have access to the database tables directly.[65]

The report concluded that the 'auditors would not approve of this type of access'. It was recommended that such access be immediately limited to technical staff.[66]

Both NSW RTA and QT advised my officers that their respective licensing systems did not permit staff to access their personal registration and licensing details. This also extends to related family members' details.

Conclusion

I am concerned about VicRoads approach to the security of its data. The delay in implementing any access controls in its new driver licence database system for more than 18 months suggests that VicRoads did not, at that time, appreciate the significance of the data and its statutory and legal obligations regarding the handling of such data.

While it is a positive step that VicRoads has decided to adopt standard ES17788, such good intentions need to be followed up with further action.

Recommendation 19

I recommend that VicRoads immediately implement system controls to prevent staff accessing their own registration and licensing records and those of their immediate family.

VicRoads response:

Accepted in principle. As an interim measure, VicRoads proposes to undertake a regular audit of all staff with access to the licensing system to ensure that records have

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[65]   VicRoads, *Registration and Licensing Projects, Analysis of Data Integrity Issues Report,* p.30.

[66]   According to a document, dated 11 September 2004, provided by VicRoads and entitled 'KPMG Follow-up / KPMG R & L Data Integrity Audit Summary', a security report on access to the Driver Licence System was implemented and KPMG advised of this remedial action.

been appropriately accessed. VicRoads will review and implement system controls within the limitations of the current licensing system and funding available.

Appropriate mechanisms for identifying immediate family and effective processes to address the issue of inappropriate access to immediate family files will also be determined.

Improved controls to restrict staff access to their own records are included in the scope of the project to redevelop the registration and licensing system.

Recommendation 20

I recommend that VicRoads review staff access to the driver licence database so that it complies with audit requirements.

VicRoads response:

Accepted. Please refer to response to recommendation 19.

Recommendation 21

I recommend that VicRoads fill the position of Registration and Licensing Information Security Manager.

VicRoads response:

Accepted. The position of Registration and Licensing Information Security Manager has been advertised and, subject to a suitable applicant being found, is expected to be filled by end November 2007.

Recommendation 22

I recommend that VicRoads develop a timeline for implementation of standard ES17799 for data security.

VicRoads response:

Accepted. A key function of the Registration and Licensing Information Security Manager is to assess current compliance against ES17799. Timeframes for implementation will be determined based on the compliance assessment.

Credit card data

I was advised that credit card details are not masked at customer service centres. My officers were informed:

> Full client credit card details, including enquiry dates, are displayed on various VicRoads systems. VicRoads is not complying with the international standards relating to the storing of client credit card details.

VicRoads management was unable to advise me when it first became aware of this problem. My officers were recently advised that a self-assessment of the IT systems' compliance with the Payment Card Industry Data Security Standards (PCIDSS) had been undertaken. VicRoads advised:

> This assessment has identified that it is compliant in respect of a number of aspects of the PCIDSS however, is not fully compliant within all aspects. Work has been completed on ensuring compliance with one of its systems whilst in respect of other systems, VicRoads has now engaged a third party to undertake a vulnerability check of these systems and identify aspects which need to be implemented to ensure compliance with the PCIDSS. This review is planned to be completed by August 2007 and identified required system changes will be implemented during 2007-08 to achieve full compliance with the PCIDSS. VicRoads banker has been consulted in respect of this status and planned compliance program and indicated their acceptance of same.

I strongly recommend that VicRoads give priority to addressing this matter.

Recommendation 23

I recommend that VicRoads give priority to masking details of credit cards used in customer service centres to ensure compliance with the Payment Card Industry Data Security Standards.

VicRoads response:

Accepted. VicRoads commissioned a consultant to undertake a gap analysis of its compliance against Payment Card Industry Data Security Standards. A compliance plan has been developed and its implementation is currently being considered.

Data accuracy and integrity

KPMG conducted audits for the years 2003, 2004 and 2005 into the integrity of VicRoads data related to new driver and boat licences. It did so by conducting an automated review of all licences issued within a six-month period to assess the extent to which the data was correctly entered into the Driver Licence System. The auditors then physically reviewed a controlled sample of 100

licence applications. A key finding in each report was the high rate of data entry errors in the physical sample. In its June 2005 report KPMG found that 59 per cent of its control sample had data entry errors.[67] This compared with 65 per cent in 2004. KPMG noted in its 2005 report:[68]

> Given the large volumes of data being entered on a daily basis, the controls established by VicRoads to manage data accuracy need to facilitate time and cost efficient operations. Accordingly, many controls, such as the independent validation of entries, are not appropriate.

KPMG recommended that VicRoads consider implementing system based controls rather than self-audit measures to ensure the validation of important data fields in the Driver Licence System (DLS).[69] VicRoads advised that it would consider the recommendation after it had performed a cost benefit analysis. My officers were advised by VicRoads staff that due to the cost of changing the licensing system, the recommendation had not been implemented. VicRoads stated that it had provided a response to the internal audit finding which was then signed off by KPMG.

Other issues of concern identified by KPMG in its 2005 report included:[70]

- 19 out of 76 forms did not show if the person had passed the written drivers licence test.
- A large number of licence conditions (including medical conditions that may trigger a medical review) that were identified in the licensing applications were not recorded on the DLS.

In 2006 VicRoads appointed PwC as its internal auditors. In PwC's first audit report on new driver licences, it found error rates in the data of the 30 licences sampled to be 4 per cent or less. This included a completion rate of 100 per cent in the proof-of-identity fields.[71] However, in its 2007 report entitled *Evidence of Identity Review*, PwC found that of the 36 licence applications sampled, evidence of identity was confirmed in only 11 per cent.[72]

In its 2003 report KPMG recorded the percentage of driver licence applications sampled from each office, together with their respective error rates. It also

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[67]   KPMG, *Report into Data Integrity New Licences,* June 2005, p.13.
[68]   Ibid.
[69]   Ibid., p.13.
[70]   Ibid., p.14.
[71]   PricewaterhouseCoopers, *VicRoads Data Integrity Compliance Review,* August 2006, p.5.
[72]   PricewaterhouseCoopers, *Evidence of Identity Review,* p.6.

provided actual numbers regarding the applications reviewed in both the automated and controlled samples.[73]

Conclusion

I found the 2003 approach particularly helpful. For reasons that I am not able to ascertain, the subsequent audit reports omit sampling data by office, except in relation to the controlled sample. The ability to identify how different VicRoads offices perform is, in my view, a valuable management audit tool. It could assist to identify offices where data integrity issues are more prevalent and further training may be required.

The information provided in the subsequent audit reports is significantly diminished. For example the 2006 PwC report does not identify the number of licences in the automated sample. Without this basic information, a comparison with earlier findings is more difficult.[74]

Recommendation 24

I recommend that VicRoads include samples taken from each VicRoads office in future audits of new driver licences.

VicRoads response:

Accepted.

Data cleansing

VicRoads' own *'As Is' Environment Report*, noted that there is no data archiving or cleansing:

> This meant that old information remains in information systems indefinitely, multiple client records continue to exist until they are located and merged by exception. Soaring storage requirements resulting in increased IT costs.[75]

I was advised that data cleansing would reduce the number of duplicate and multiple records in the Driver Licence System, which would have many beneficial results, such as reducing search times for system users and increasing the integrity of the licensing data.

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[73] KPMG, Internal Audit Report, *Data Integrity Review—New Licences,* March 2003, pp.7-23.

[74] PricewaterhouseCoopers, *VicRoads Data Integrity Compliance Review,* August 2006, pp.1-3.

[75] VicRoads, *Registration and Licensing Projects, Driver Licensing System Review and Strategy – Analysis of the "As Is" Environment*, p.27.

A number of senior VicRoads officers, as well as several large volume external users of the database, expressed disappointment that VicRoads had decided not to utilise facial recognition software as a data cleansing tool. They considered that such software would be invaluable in reducing duplicate client records and assisting in the detection of driver licence fraud.

My officers observed a number of records of drivers who were either deceased or no longer licence holders, but whose records remained active in the licensing database. For example, a male person born in 1896 whose licence was cancelled in 1992 at the age of 96 still had his record marked as 'active' on the system. My officers also observed multiple incomplete entries which, they were advised, were created to allow demerit points to be allocated when they could not be matched against the correct person in the licensing database.

Data archiving

VicRoads collects an enormous amount of data, including registration and licensing details, and financial information. The different types of data are subject to different retention rules in accordance with VicRoads' legal obligations under the *Public Records Act 1973*.

> The current R&L systems have developed since the 1980s with a mix of differing technologies and business practices. These have included a range of archiving, retrieval and data deletion practices. Whilst there were record keeping process guidelines, there were no strategic guidelines on the requirements to inform decisions regarding retention, archiving or disposal of R&L data.[76]

The data is used both internally and externally. Victoria Police, for example, use data from both the registration database and digital images from the Driver Licence System.

In March 2007 VicRoads' R&L area produced the *Data Archiving Strategy Report*. The object of the report was to define both a long and short-term strategy for archiving R&L data. The short-term strategy also looked at ways to remediate what had been defined by stakeholders as '…high priority "pain point"[77] usability issues related to the storage and access of archived electronic record'.[78]

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[76]   VicRoads, *Data Archiving Strategy Report*, 5 March 2007, p.5.

[77]   'Pain point' refers to the most troublesome 100 usability and productivity issues, or 'pain points', in the DLS identified by stakeholders at a workshop conducted by VicRoads as part of its *Driver Licence Scheme Review and Strategy Report*.

[78]   Ibid.

Some of the more significant findings in the report were:[79]

- No central index to the location of the data within the archived media.
- No clear guidelines on release of data to third parties.
- No approach that migrates data to a single archive solution.
- Incomplete approach to archiving, with not all historical data archived and possibly some data lost in transit.
- Inconsistent agreements with the supply of data to external parties and assessment of compliance with those agreements.
- Client data in the DLS operational database not archived. Although an archiving system is available, it has never been used.
- Little or no security on the access to archived data stored in the CD-ROM and business object storage systems.
- No login of access to the archived records in the CD ROM or business object systems.
- No masking of credit card data.
- Several external organisations involved in the production of the CD ROMS. This process does not provide proof that the records have not been tampered with.
- Driver licence audit records requiring multiple accesses to obtain data, and results presented in a format that is difficult to interpret.
- History data not available in an aggregate form for trend analysis or management decisions.

The report identified some of the consequences of these findings, including:[80]

- Security of access to CD-ROMS and business objects is not guaranteed leaving staff open to criticism.
- Because access to records on CD-ROM is only available by registration number plate, many requests from Victoria Police for details of a specific client cannot be satisfied.
- Investigations are unable to access vehicle registration records using the client identifier.
- The cost of disk storage is expensive and increasing.
- Searching for particular data is difficult or impossible due to multiple storage modes and the lack of a single index of data.

Conclusion

I consider that VicRoads has failed to implement a data-cleansing or archiving strategy as identified by its own review reports.

The impact of this failure is significant. In my view, it puts the security and integrity of current and archived data at risk and adversely affects the ability of VicRoads and law enforcement agencies to perform their statutory functions.

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[79] VicRoads, *Registration and Licensing Projects, Data Archiving Strategy Report,* 5 March 2007, pp.15-16.
[80] Ibid.

It also results in administrative inefficiencies, unnecessary costs, loss of productivity and potentially exposes VicRoads to fraud and corruption.

Recommendation 25

I recommend that VicRoads:

(a) implement a data archiving strategy as soon as possible

(b) develop and implement a data cleansing strategy as soon as possible.

VicRoads response:

(a) Accepted. The implementation of the data archiving strategy is currently being considered within the context of the registration and licensing data storage management policy.

(b) Accepted. Some initiatives are currently underway in relation to data cleansing such as cleaning up trade names. Further initiatives for data cleansing will be considered in the 2008-09 business area planning process.

A significant data cleansing process has been identified in the scope of the project to redevelop the registration and licensing system.

A function of the Registration and Licensing Data Integrity Manager position, expected to be appointed shortly, will include responsibility for developing and implementing the ongoing data integrity (including cleansing) strategy following commissioning of the new system.

Recommendation 26

I recommend that VicRoads, as a priority, consider the introduction of facial recognition software as a data cleansing tool.

VicRoads response:

Accepted in principle. This recommendation is related to recommendations 5 and 25. The most effective option for the purposes of data cleansing will be considered as part of the initiatives and strategies being considered in the response to recommendations 5 and 25.

Recommendation 27

I recommend that VicRoads review the access arrangements of all users of archived data to limit improper use.

VicRoads response:

Accepted.

Recommendation 28

I recommend that VicRoads develop a central index of archived registration and licensing records.

VicRoads response:

Accepted.

Recommendation 29

I recommend that VicRoads ensure that all confidentiality agreements with third parties who have access to the Driver Licence System are current and enforceable.

VicRoads response:

Accepted.

Recommendation 30

I recommend that VicRoads ensure that confidentiality agreements with third parties are audited in a proper and timely manner.

VicRoads response:

Accepted.

Recommendation 31

I recommend that VicRoads work with the Office of Births, Deaths and Marriages on an ongoing basis to facilitate the removal of records of deceased persons from the Driver Licence System.

VicRoads response:

Accepted. Since October 2006, VicRoads has been receiving information from Births, Deaths and Marriages to enable the removal of matched deceased persons as active licences. Further analysis will be undertaken to improve this process and better manage records.

Financial issues arising from data integrity issues

During my investigation I identified the following financial issues:

Centrelink concessions

In version 0.2 of *Analysis of Data Integrity Report,*[81] prepared by VicRoads, it was estimated that, as a result of data not being cleaned or properly migrated to the new licensing system in 2002, the organisation is losing approximately $1 million a year due to the fact that it is unable to validate whether approximately 88,000 people receive a Centrelink card and thereby qualify for a concession rate for some VicRoads services. VicRoads subsequently provided a further version of the report, which states:[82]

> In a previous version of this document it was claimed that VicRoads was losing at least $1 million annually as a result of clients being given the concession rate incorrectly. The source of this figure was not referenced. In this revision there is no evidence that the impact of this problem has been costed and further analysis is required to quantify the impact of this problem.

Short payments

Version 0.2 of the *Analysis of Data Integrity Report* indicated that there is an annual revenue loss of $1 million as a result of customers entering short payments via BPay.[83] Furthermore, the report states that this would mean that VicRoads is not meeting its Service Level Agreement with the State Revenue Office. I asked VicRoads to clarify this issue. They advised me:

> Driver Licences and Registration fees
>
> Short payments less than $10 are accepted by VicRoads when received via the BPay payment channel, on the basis that the cost to recover the short payment would exceed the value of the lost revenue. Short payments in excess of $10 are not significant in number and are actioned by licence suspension if not paid within 28 days. This action results in most short payments being recovered.

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81 VicRoads, *Analysis of Data Integrity Report,* Version 0.2, 25 January 2007, p.45.
82 VicRoads, *Analysis of Data Integrity Report,* Version 0.6, August 2007, p.36.
83 VicRoads, *Analysis of Data Integrity Report,* Version 0.2, 25 January 2007, p.45.

Registration Transfers

For transfers that are not paid or part paid, a new transfer demand is created. Unpaid transfer demands are referred to the State Revenue Office who assumes responsibility for the recovery of unpaid Stamp Duty after 14 days.

As to the estimated annual loss of $1 million, VicRoads stated:[84]

The amount of lost revenue can not be easily assessed and considerable work would be required to be undertaken to identify the amount of revenue loss as a result of short payments.

Conclusion

I am concerned that despite VicRoads being aware of these problems and losing revenue as a result of them, no action has been taken to either confirm the extent of the revenue loss or resolve the underlying problems.

I am of the view that short payments should not be accepted, as the onus should be on the applicant to pay the stated amount.

Recommendation 32

I recommend that VicRoads develop a system to allow it to check the data identified in the *Analysis of Data Integrity Report* to determine if a driving or registration concession should be granted to particular persons.

VicRoads response:

Accepted. Further analysis is currently being undertaken to improve our systems.

Recommendation 33

I recommend that VicRoads not accept short payments for either driver licences or registration fees.

VicRoads response:

Accepted in principle. VicRoads will review current arrangements to determine if a mechanism can be implemented to reduce the ability to make short payments within the constraints of the current channels available and efficiency.

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[84]   Ibid.

Cost of making changes to the driver licence system

It is clear that the Driver Licence System is costly to maintain and that making even simple changes is expensive. This has meant that usability issues remain unresolved which, in turn, have a detrimental impact on productivity and staff satisfaction.[85]

> There is anecdotal evidence that aspects of system management and governance are driven more by the EDS outsourcing contract rather than by VicRoads strategy.[86]

One example involves the changing of the first digit of the nine digit driver licence number from zero to one. This change is necessary because VicRoads has almost exhausted all of the numbers beginning with zero. I was advised that the cost of the change is estimated to be between $1 million and $2 million. I understand this is because changes would be required to around 250 applications that are part of the licensing system. I was told that VicRoads was considering other options or 'work arounds' so that any such change, and its associated expense, could be postponed until a new Driver Licence System was introduced.

The significant cost of making basic and even minor changes to the licensing system has a direct impact on its data integrity. I understand that major changes are simply delayed and temporary 'work arounds' put into place. A common theme heard by my officers from VicRoads staff was that resolution of many of these issues was not possible and that they would be dealt with when the new Driver Licence System was introduced in five years.

Replacing the database

Earlier in 2007 VicRoads submitted a proposal to government for funding for the registration and licensing information system redevelopment project. (It had previously been agreed that funding would be provided to redevelop the registration database.) The intention was to align the redevelopment of the registration and licensing databases so that a single system could be developed to incorporate all registration and licensing functions. Most other states and territories have a single database for these records. A total of $11.56 million was sought for 2007-08 to enable the development to commence. It was also proposed that the system should be expanded to meet broader government requirements.

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[85]   VicRoads, *Registration and Licensing Projects, Driver Licensing System Review and Strategy – Analysis of the "As Is" Environment*, p.30.

[86]   Ibid., p.25.

I am advised that $3 million was provided to enable work to proceed on scoping the business plan for the project. It is now anticipated that the redevelopment of the databases will not be completed until 2012-13 at the earliest.

Conclusion

I am concerned about the consequences of VicRoads not rectifying some of the licensing database problems before the 'new' Driver Licence System comes on stream. The option of VicRoads maintaining separate registration and licensing systems until the redeveloped database comes on stream in 2013 is, in my opinion, unsatisfactory. It fails to recognise and address the vulnerability of VicRoads processes to support registration and licensing activities, as well as external stakeholder requirements.

Implementing sooner rather than later a new licensing database as part of a new, integrated registration and licensing system would, in my opinion, have a number of significant benefits. These include greater data integrity, privacy and security of information, as well as improved data access.

Adopting an integrated R&L system would also provide significant financial savings to VicRoads through improved business practices, reduced processing times and the capacity to make optimum use of self-service channels[87] and e-commerce opportunities. Financial savings would also be possible by ensuring that the new system is designed to avoid some of the faults in the existing systems, particularly:

- costly 'work arounds' to deal with data integrity and access problems
- large numbers of manual processes to manage changes in business requirements.

Financial savings would also flow to key users of VicRoads services and systems (for example, Department of Justice and Victoria Police) due to improved enforcement capabilities through greater data integrity and easier accessibility. The ability of enforcement agencies to increase the revenue collection rate for traffic and other infringements would benefit all Victorians.

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[87] For example making a payment or changing an address on line through the internet, or the VicRoads call centres or the self help kiosks at customer service centres.

Recommendation 34

I recommend that VicRoads replace the current Driver Licensing System. A new system should also incorporate vehicle registrations.

VicRoads response:

Accepted. As noted by the Ombudsman in the report, the Government has provided funding for the scoping of a business case for a redeveloped registration and licensing system with broad application to other Government bodies. Implementation of this initiative is subject to funding.

7. DRIVER LICENCE TESTING

As part of its licensing functions, VicRoads is responsible for Driver Licence Testing (DLT). VicRoads allows accredited providers to conduct motorcycle and heavy vehicle training and testing, but all car driver licence and car driver permit testing is conducted by VicRoads.

Deficiencies and/or corruption in the DLT system can have a significant effect on road safety. Testing that does not reach the required standard, procedures that allow applicants to 'cheat' the testing arrangements, and the corruption of licence testers and officials are just some of the issues that Australian agencies administering a statutory DLT function have had to confront in the past decade.

The following case study highlights the ways the licence testing system can be corrupted:

Case study 4 – Corrupt practices involving staff at licensing authorities

Corruption of DLT Officials—New South Wales experience

In March 2007 the NSW Independent Commission Against Corruption (ICAC) held four days of public hearings as part of its investigation into allegations that Mr Paul McPherson, manager of RTA's Botany Motor Registry, and others engaged in corrupt conduct in relation to the issuing of driver licences.

Mr McPherson admitted to ICAC that in return for the payment of money and the receipt of other benefits he:
1. improperly influenced the results of the computer-based driver knowledge test of approximately 100 applicants by providing the answers to some or all of the questions
2. disclosed one of the driving courses used by examiners at the Botany Motor Registry to a driving instructor, Mr Jaturawong
3. falsely represented through the creation and use of false records, that certain applicants held various classes of New Zealand driver licences, thereby allowing them to obtain an equivalent NSW driver licence without first demonstrating to RTA that they had the appropriate level of knowledge, driving ability and experience.

Some of the false records created by Mr McPherson allowed persons to obtain heavy combination truck licences unlawfully. This allowed them to drive a prime mover and semi-trailer combination even though some had poor driving records, including convictions for unlicensed driving, negligent driving and driving with the mid-range prescribed concentration of alcohol.

> ICAC was also investigating allegations that Mr McPherson knowingly issued driver licences containing false particulars, including false names, to persons suspected by NSW Police of involvement in the commission of fraud-related offences.
>
> The evidence given by Mr McPherson at the public hearings gives some insight as to how he was able to commit the offences. These included being in an environment where he was able to audit his own work, which allowed him to create false identity documents.
>
> Mr McPherson alleged that he had wanted to cease his involvement in the matter, but was forced to commit further offences after being threatened by a known criminal. I am advised that a number of the people involved with Mr McPherson have links with organised crime.[88]

NSW RTA advised my officers that it had adopted measures to counter corrupt practices in light of the McPherson case. This included modifying the physical setup of the computer testing areas to stop 'piggy backing'.[89] The modifications included installing privacy screens at each testing station and filters over the computer screens so that the detail is only visible front-on.

NSW RTA is currently conducting a feasibility study into the use of teleconferencing to avoid interpreters having to sit with the applicant at the testing station. This is to remove the possibility that an interpreter could inappropriately assist the applicant to complete the test.

It also regularly monitors the pass rates of individual licence testers and driving instructors to check for any possible corruption or collusion.

The following case study illustrates the vulnerability of the Victorian licence system to organised crime:

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[88] All the transcripts of the hearings are on ICAC's website.

[89] 'Piggy backing' is where one applicant will assist the other to complete the test by making discrete body movements to identify the correct answer to a multiple-choice question. For example, touching one's nose means choose answer 'A'. Piggy backing can only work where both people can see the questions on the computer screen.

Case study 5 – False New Zealand licences – The Victorian experience

VicRoads Leongatha Customer Service Centre is a small rural branch. In 2001 Victoria Police and VicRoads investigators uncovered a fake licence racket involving an 'outlaw' motorcycle gang and the manager of the centre. The manager was allowing the gang members to exchange fake New Zealand driver licences (60) for Victorian licences. Other staff at the centre, although aware of the racket, did not report the matter to VicRoads.

The former manager of the Leongatha centre was sentenced to two years jail with an 18-month suspended sentence. The acting manager was dismissed by VicRoads after a disciplinary hearing and a customer service officer resigned.

The former Community Road Safety Officer was found guilty of 17 charges of obtaining property by deception and required to undertake 50 hours unpaid community work over 12 months.

Two members of the 'outlaw' motorcycle gang were found guilty. One was sentenced to 18 months jail with a 12-month suspended sentence and the other was given a 12-month suspended sentence.

VicRoads investigators advised that they had conducted some work on the results of licensing training and some driving instructors. For example, one instructor tended to bring his students to a particular outer suburban testing station, possibly because the test routes were simple and the instructor was familiar with them. That station had now been re-located and the routes altered.

My officers were advised by some VicRoads staff of their concerns regarding a similar scenario, which involved a particular ethnic group taking their tests at an outer suburban VicRoads customer service centre. They noted that the applicants came from all over Melbourne and other regional areas, rather than within the catchment area of the centre. They suspected that the applicants' driving instructor did not actually give them driving lessons, but had only driven them around the test routes. The instructor would book the applicants in one after the other.

In this scenario most of the applicants were from overseas. They provided VicRoads with an overseas driver licence which they have allegedly held for a period of greater than three years, thereby allowing them to obtain a full Victorian licence once they passed their driving test. Having obtained a full Victorian driver licence, they were then eligible to obtain, for example, a taxi licence or apply for a heavy vehicle endorsement on their licence.

One VicRoads tester stated that having passed the test, '…they get a full open licence, but it doesn't really reflect the skill level they've got'. He stated that such people will take the test three or four times because they are not properly prepared by the driving instructor. He had heard that '…there's a set fee, say $500 [per test], and eventually they learn through their mistakes'.

VicRoads internal investigators advised that they were aware of these allegations, but due to insufficient resources were unable to follow up these matters. They confirmed that a particular instructor did tend to take a large number of his students to the same customer service centre.

Conclusion

The illustration above demonstrates how important it is that VicRoads take a proactive role in ensuring the licence testing process is not subject to corruption and manipulation. This should include the development of deterrent measures to ensure that the integrity of the system is maintained to the highest possible standard.

Recommendation 35

I recommend that VicRoads develop a risk management program for driver licence testing.

VicRoads response:

Accepted.

Overseas drivers

On 1 June 2007 the State Coroner's Office handed down its findings in the inquest into the death of a schoolboy. The boy was killed after being struck by a vehicle.

The driver was from Greece. She had obtained her licence in Greece in 1995 and had driven a left-hand drive manual vehicle. On 29 September 2003 the driver was issued with a three-year unconditional licence by VicRoads. The holder of a Greek driver licence does not need to sit the practical driving test to obtain a Victorian licence, but must pass the knowledge and hazard perception tests. This exemption applies to residents of 26 countries when they apply for a Victorian driver licence.

The Coroner recommended that:

> VicRoads review their policy regarding the practical driving assessment of drivers who hold drivers licenses from countries with right-hand drive configurations and/or cars with gearboxes which are different from their experience overseas to ensure that they are competent to drive their vehicle in Victoria.

I support the Coroner's recommendation. I note that the Minister for Roads and Ports has asked VicRoads to implement it.

The issue of exchanging the overseas driver licence of certain countries for a Victorian licence, without the driver undergoing a practical driving test, is not the only area of concern relating to overseas licences. I am also advised that persons who are able to produce an overseas licence which they have held for at least three years are then issued with a full Victorian driver licence.

I raise this concern in the light of evidence from VicRoads licence testing staff. My officers were told by them that on testing, such people are able to drive, but their skill level is not necessarily reflective of someone who has held a driver licence for at least three years. Many of these applicants want a full licence in order to obtain a taxi licence.

Verification of overseas licences is a difficult issue. However, evidence indicates that certain types of licences from some countries (such as China, India and Sudan) are more likely to be unreliable as to their bona fides. One VicRoads staff member commented:

> What I've been led to believe from talking to people is that a lot of people buy their licences over there, but may not drive for that whole period they've got their licence, and that might explain their lack of skills when they get out here. So they may have held their licence for years, but never actually driven a vehicle.

Recommendation 36

I recommend that VicRoads review its procedures regarding applicants from high risk countries and consider whether they should only be issued with a provisional driver licence.

VicRoads response:

Accepted in principle. In determining which countries are mutually recognised inrelation to the provision of a full driver licence, VicRoads is bound by national and international agreements.

The criteria for including a country in the Austroads list of recognised countries (countries where car and motorcycle driver licences can be transferred to a Victorian licence without retesting) was reviewed in detail in 2006. The Minister for Roads and Ports wrote to Austroads in July 2007 to request that the list of recognised countries be subject to further review. Austroads replied in September 2007 to advise that a review of criteria had been undertaken in 2006, and these criteria had been amended and that there were no immediate plans to undertake a further review. The reply also stated that the recommendations of the Victorian Coroner will be taken into account in the next review.

Under the Geneva Convention, licence holders from countries which are signatories to the Convention are also able to obtain an international driver permit for up to 12 months to drive in those countries that are signatories.

Recommendation 37

I recommend that VicRoads review its policy of accepting overseas driver licences as proof-of-driver capability.

VicRoads response:

Accepted in principle. Please refer to response to recommendation 36. VicRoads will continue to work with Austroads in reviewing the list of recognised countries.

Driver education

Evidence provided to my officers indicates that VicRoads needs to provide educational and awareness material for some ethnic groups. For example:

> As soon as they get a learner permit they drive by themselves without L plates. They even drive themselves up here in their own cars to do the test without a licence because where they come from there's no rules at all. You try to explain to them that they've done the wrong thing… that they can be in trouble, that they can have an accident and they won't be covered, but it doesn't worry them. You try to explain to them, look you've done badly on this licence test you need improvement so go and take some professional lessons. [They say] Yeh, yeh, I'll make new booking.

Educational material for drivers from high risk countries needs to clearly explain the road laws in Victoria and the responsibilities/obligations of people holding a Victorian driver licence or permit.

Recommendation 38

I recommend that VicRoads issue educational material for drivers from high risk countries which clearly explains the difference in the road laws in Victoria compared to overseas countries, as well as the responsibilities and obligations of people receiving a Victorian driver licence or permit.

VicRoads response:

Accepted in principle. In addition to English, the Victorian driver licensing handbook is available in four other languages, while the driver licence test is available in twenty other languages. VicRoads is currently working with the Victorian Multicultural Commission to consider translating the driver licence handbook, licence test, information brochures and information sessions on driving in Victoria into the predominant languages spoken in some high risk countries.

A customer service strategy for better informing migrant communities of the requirements and responsibilities of drivers in Victoria is being developed.

Motorcycle licence and heavy vehicle testing

> Motorcycle riders are over-represented in fatality and serious injury crashes in all Australian jurisdictions. While motorcycles comprised only 3 per cent of all registered vehicles on Australian roads in 2002, motorcycle riders accounted for 13 per cent of all fatal crashes.[90]

Since 1993 VicRoads has accredited external providers to offer motorcycle rider training. Each provider develops its own curriculum based on the requirements set out in their contract with VicRoads. Some courses only provide training which complies with the minimum standard required under the contract. Others provide training above and beyond these requirements. Training is not compulsory to obtain a learner permit or a restricted licence.

A review in 2000 evaluated the courses run by different providers. It found that '…vehicle control skills receive about two to three times as much course time as attitudinal skills. Yet all of the providers felt that the students, particularly at learner level, had insufficient skill and inadequate attitudinal training to ensure their safety while learning on the road'.[91]

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[90] Narelle Haworth and Christine Mulvihill, Monash University Accident Research Centre, *Review of Motorcycle Licensing & Training*, June 2005, p.13.
[91] Ibid.

In Victoria a licence holder has a single licence which indicates the type and class of vehicle they are allowed to drive. The cost to renew the licence is the same no matter how many classes the licence covers. Thus a person who has a car licence and motorcycle licence has their motorcycle licence renewed when their car licence is renewed. This means that many '…motorcycle licence holders who have not ridden for many years are able to return to riding without any formal training or licensing requirements'.[92]

The report concluded that where training has been outsourced to a third party, methods to ensure quality assurance are essential to the success of any such program. It stated:[93]

> Reviews have demonstrated that individual motorcycle trainers vary in their teaching skills and in the way that they deliver the same curriculum. This suggests a need for quality assurance either by the training organisation or the regulator.

VicRoads also uses 61 accredited external providers to offer heavy vehicle driver training and testing for people wanting to add a heavy vehicle endorsement to their licence. To obtain the endorsement, a person must pass both the heavy vehicle knowledge test and the heavy vehicle driving test. The same provider trains and tests the applicant. Four VicRoads customer service centres allow a person to take the test (although none conducts driver training).

In mid 2006 VicRoads set up a Registration and Licensing Compliance Group. The Group provides a quarterly report to VicRoads Audit Committee. The report outlines the results of its audits, including those of accredited heavy vehicle and motorcycle training providers. In its report dated December 2006, the Group identified:[94]

- training curricula not adequately documented
- some motorcycle and heavy vehicle providers conducting tests not in accordance with the relevant manual requirements
- a provider failing to have training plans for heavy vehicle knowledge, low speed and road driving skills
- test routes that did not contain all of the required elements
- providers not able to verify that they held required insurances
- unsafe test training ranges
- providers unable to account for heavy duty certificates of competency and motorcycle learner permits and licence receipt books
- inconsistent and inappropriate handling of VicRoads information.

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[92] Ibid., p.21.
[93] Ibid., p.85.
[94] Registration and Licensing Compliance Group Report in VicRoads Audit Committee Report, December 2006, pp.26-31.

Almost identical findings were listed in its March 2007 report. Similar findings were first made in the August-September 2006 report, which concluded that the training deficiencies:[95]

> …may affect the ability of successful applicants to operate vehicles in a safe manner [and] have the potential to threaten the standard of driving skills in the industry and put newly licensed drivers in danger.

My officers were unable to determine if these issues have been addressed by VicRoads, in particular the recommendation that the Service Provider Agreement specify the minimum training requirements.

The findings of the Registration and Licensing Compliance Group confirm that all heavy vehicle and motorcycle training providers need to be audited consistently and rigorously. Such auditing should also include covert surveillance if necessary in order to ensure compliance by providers with the terms of their contract with VicRoads.

I understand that covert surveillance of one accredited motorcycle training provider revealed a trainer riding as a pillion passenger in thongs and without a helmet. The rider of the motorcycle also did not wear a helmet and, although unauthorised to do so, had assisted the trainer to conduct the course.

Shortly before finalising my report, VicRoads brought to my attention that it was investigating (together with Victoria Police) an accredited service provider for allegedly providing heavy duty licence endorsements and/or motorcycle licences for a fee without training or testing the applicants. VicRoads' investigation revealed that there are potentially 939 persons involved who have received 1,238 endorsements.

VicRoads is currently trying to determine which, if any, of the endorsements or licences were validly obtained.

VicRoads has engaged a consultant to undertake a review of its accreditation scheme. This will be the first occasion that the scheme has been reviewed in its 14 years of operation.

This is another example of the high risk nature of the outsourced operations of VicRoads. It further emphasises the need for VicRoads to have an effective system for monitoring accredited service providers. Apart from the possible loss of public confidence in the accredited provider licensing scheme, the allegations (if proven) also have significant implications for road safety.

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[95]   Registration and Licensing Compliance Group Report, August – September 2006, p.11.

Recommendation 39

I recommend that VicRoads set out in its service provider agreements the minimum training requirements for accredited heavy vehicle and motorcycle training providers.

VicRoads response:

Accepted in principle. Accredited providers are required to provide a curriculum for training of motorcycle and heavy vehicle drivers. While VicRoads requires competency to be assessed through prescribed testing regimes, as with car driver training and assessment, a review will be undertaken as to the need and benefits of specifying training requirements in achieving a better road safety outcome.

Recommendation 40

I recommend that VicRoads audit, on a regular basis, all training service providers for compliance with the minimum training requirements.

VicRoads response:

Accepted in principle. Please refer to the response to recommendation 39.

8.   USE OF SERVICE PROVIDERS

VicRoads makes extensive use of service providers[96] to deliver various licensing services, particularly in regional Victoria. VicRoads has also established Photo Point outlets in metropolitan and rural Victoria where a person can have their licence photograph taken, their driver licence renewed or application for a proof-of-age card processed.

Thirteen of the 16 Photo Point outlets in Melbourne are run by Australia Post. Of the 61 regional Photo Point outlets, 36 are run by local councils with the remainder located in pharmacies, local post offices or other miscellaneous local stores.

The type and level of services to be delivered are specified in agreements between VicRoads and the service provider. Local councils tend to provide a broader range of licensing services, such as renewal and printing of new licences. Smaller Photo Point outlets may only take photographs and accept completed licensing applications, which are then sent electronically to VicRoads for processing. The agreement also contains confidentiality provisions detailing how VicRoads information must be treated by the service provider.

The Registration and Licensing Compliance Group provided a report to VicRoads Audit Committee in June 2007 on the 31 audits of service providers that it had conducted during the third quarter of 2006-07.[97] The report contained a number of key findings and noted that similar findings were identified in earlier audits.[98] They included:[99]

- A number of service agreements had either expired or did not exist.
- Many agency staff had not received formal training from VicRoads.
- Most agencies did not possess current VicRoads guidelines.
- VicRoads was not named or listed as an interested party on public liability insurance documentation.
- Monies were not remitted weekly to VicRoads in accordance with the VicRoads requirements.
- Discrepancies existed between payments received and recorded.
- Accountable form records were not kept in VicRoads Regional Offices.
- Designated staff lists did not exist for agencies.

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[96]   VicRoads refers to service providers as authorised agencies.
[97]   Registration and Licensing Compliance Group Report on VicRoads Agencies in VicRoads Audit Committee Report, June 2007.
[98]   Ibid., p.24.
[99]   Ibid.

It was noted that some providers undertook registration and licensing services additional to those specified in their agreements. However, the report noted that it was difficult to determine at times exactly which services should be provided because '…no formal advice approving the level of services agencies are able to deliver is maintained by VicRoads Regional Offices'.[100]

The Registration and Licensing Compliance Group also reported on its audits of Photo Point outlets. The key issues that were identified included the following:[101]

- Acceptance by some agencies of unsuitable proof-of-identity documents, such as key passes, telephone bills, and health care cards rather than the customer's existing driver licence.
- Failure to sight the customer's existing driver licence as proof of their identity, before a renewal can be processed or licence details changed.
- Weekly returns [of fees] not submitted.

My officers were advised during the investigation that VicRoads service agreements with local councils had expired, although the services were still being provided. The Group's report notes that as at June 2007, discussions about a new agreement were still continuing with the Municipal Association of Victoria (MAV).[102] Negotiations have now been underway for at least 12 months. The report raised serious concerns about the confidentiality and security of VicRoads information. It was observed:[103]

> Security varied widely between Photo Point outlets. In some instances, VicRoads documents (data cards) and moneys were kept in drawers which were locked at night. In other cases, these items, namely data cards, were left unsecured within the premises, sometimes where the public could easily obtain access.

It was noted that the VicRoads agreement with its Photo Point outlets does not indicate the minimum security measures required.

The report concluded:[104]

> This weakness may lead to members of the public obtaining personal details of an individual's data card, the loss of documents and/or moneys and the unintended disclosure of VicRoads' customer personal information.

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[100] Ibid., p.26.
[101] Ibid., pp.32-34.
[102] Ibid.
[103] Ibid., p.30.
[104] Ibid.

Conclusion

The failure of VicRoads to have an agreement in place, even though the local councils are still providing services, clearly impacts on its ability to take enforcement action against such a service provider.

I am also concerned that many service providers do not name VicRoads on their public liability insurance policies.

The failure of VicRoads to have current agreements with some of its service providers and/or to be indemnified under the provider's public liability insurance policy does, in my view, leave it exposed legally and financially.

The auditing of service providers and Photo Point outlets has identified serious weaknesses which, in my view, require urgent attention. These weaknesses expose VicRoads both legally and financially.

Recommendation 41

I recommend that VicRoads conduct an audit to determine whether it has current agreements with all of its service providers and Photo Point outlets.

VicRoads response:

Accepted. Audits undertaken by VicRoads Compliance Group are currently being followed up.

Recommendation 42

I recommend that VicRoads implement, as a matter of urgency, service agreements wherever the audit identifies the lack of a current service agreement.

VicRoads response:

Accepted.

Recommendation 43

I recommend that VicRoads finalise the service agreement with the Municipal Association of Victoria as a matter of urgency.

VicRoads response:

Accepted. In principle agreement has been reached with the MAV to extend the terms of the existing Agency Agreements until 30 June 2008. VicRoads is in the process of developing a new three-year agreement for the continuation of the services performed by Councils from 1 July 2008 and will work with the MAV to achieve a mutually agreed outcome.

Recommendation 44

I recommend that VicRoads establish a register of service agreements showing, at a minimum, the types of services to be provided, the commencement and end-date of the agreement, and confirmation that public liability insurance is held by the provider and lists VicRoads as an interested party on the insurance documentation.

VicRoads response:

Accepted.

Recommendation 45

I recommend that VicRoads review the standard service agreement to ensure that it specifies that services provided must be consistent with VicRoads business rules.

VicRoads response:

Accepted. VicRoads is in the process of developing a new three-year agreement for the continuation of the services performed by Councils from 1 July 2008 and will work with the MAV to achieve a mutually agreed outcome. The agreement will ensure that the services are provided in accordance with VicRoads business rules.

Recommendation 46

I recommend that VicRoads ensure that all confidentiality agreements with service providers that have access to the driver licensing system are current and enforceable.

VicRoads response:

Accepted.

Recommendation 47

I recommend that VicRoads ensure that the training provided to service providers and Photo Point outlets emphasises the need to comply with:

(a) VicRoads business rules

(b) privacy and confidentiality requirements relating to VicRoads data.

VicRoads response:

Accepted.

9. MEDICAL REVIEWS

Medical review process

Section 17 of the *Road Safety Act 1986* and the *Road Safety (Drivers) Regulations 1999* sets out VicRoads' responsibility for assessing a licence holder's fitness to drive.[105] The declaration and assessment of medical fitness to drive is part of the licensing process.

VicRoads medical review process is responsible for:[106]

- reviewing new learner permit and licence holders or applicants where a medical condition is declared
- reviewing on a cyclical basis driver licence holders who have a medical condition(s)
- processing notifications received from a driver licence holder, Victoria Police, doctors and other health professionals or concerned members of the public advising that a person may be unsafe to drive
- re-assessing drivers to assess their fitness to drive.[107]

Unlike other states' licensing authorities,[108] VicRoads determines driver competency after taking into account the results of medical reports and/or driving assessments and the national medical standards for licensing guidelines.[109] For more complex cases, VicRoads seeks specialist medical advice from the Victorian Institute of Forensic Medicine. Depending on the result, drivers may have conditions applied to their licences or have their licences suspended or cancelled.

Approximately 42,924 medical review notifications were received in 2006-07. Around 5,653 (or approximately 13 per cent) were referred for specialist advice to the Victorian Institute of Forensic Medicine.

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[105] The Road Safety Act provides that the purposes of licensing is:
    (a) to ensure that people who drive motor vehicles on highways are competent drivers
    (b) to ensure that drivers are aware of safe driving practices and road law
    (c) to ensure that people who are, or who become, unsuited to drive are not permitted to
       drive on highways.
The Road Safety (Drivers) Regulations require licence holders to notify VicRoads of any permanent or long-term injury or illnesses that may affect their ability to drive safely. Regulation 226 describes the types of test that may be required and the qualifications of persons who may conduct them.

[106] As described in the ARRB Group Contract Report: *Review of end-to-end medical review processes,* February 2007, p.i.

[107] The majority of individuals who undergo licence reassessments fall into the 71 to 90 age group. Stated in the ARRB Group Contract Report: *Review of end-to-end medical review processes,* February 2007, p.iv.

[108] South Australia and Northern Territory are the only Australian jurisdictions where health professionals have a legal duty to report drivers medically unfit to drive to licensing authorities. In NSW and Queensland doctors undertake the medical driver assessment and usually make the final decision on driving competency.

[109] Austroads, *Assessing Fitness to Drive Commercial and Private Vehicle Drivers – Medical standards for licensing and clinical management guidelines,* September 2003.

VicRoads indicates that the number of assessments is expected to increase at a rate of 4,600 per year[110] and estimates 50,800 new assessments in 2007-08. This increase results from an aging population and greater community awareness, especially among doctors, of the impact of medical conditions on driving.[111]

The Australian Bureau of Statistics estimates that over the next 30 years Australia's population aged over 60 will double with the greatest population increase in the over-80 age group. This trend will also be reflected in Victoria (see below).

Table 9.1 – Population of 70-80+ age groups in Victoria by year 2050
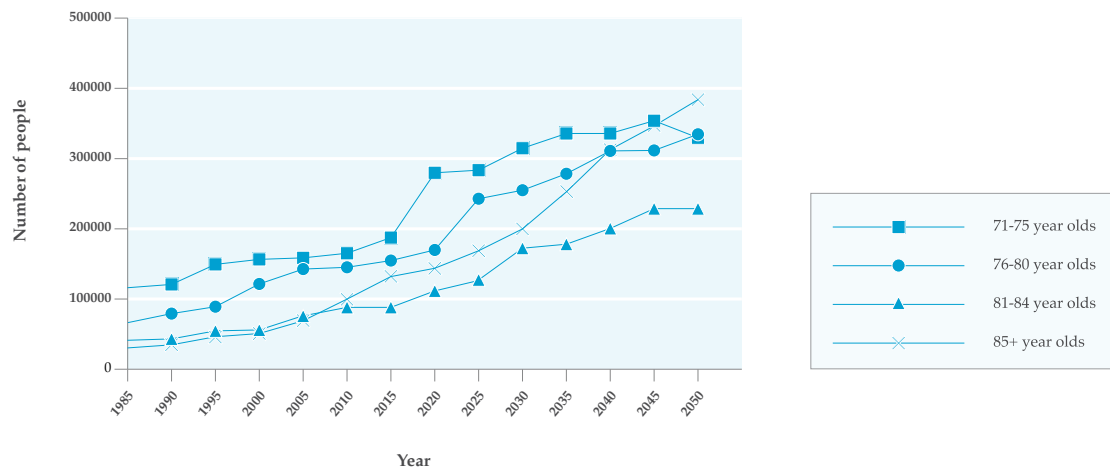
Problems with the current arrangements

In August 2006 VicRoads engaged a consultant to review its medical review processes, identify the cause of backlogs (at that stage more than 4,046 cases) and recommend cost effective improvements.

Key findings were:[112]

- insufficient staff and inadequate staff training
- lack of instruction manuals or guidelines for the more complex processes
- failure of contractor to meet performance targets provided in service agreement
- an inadequate and inefficient driver licence system (this was identified as the main contributor to the backlog in processing cases). The licensing system was described by the consultant as '… overly complex, and lacking in efficient processes such as automated responses'.
- lack of auditing to ensure quality control

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[110]   ARRB Group Report: *Review of end-to-end medical review processes*, February 2007, p.ii.

[111]   Discussed in the report *Work Measurement and Management Strategy for Medical Review and Licence Reassessment Transactions*, 1 July 2007.

[112]   Adapted from ARRB Group Contract Report: *Review of end-to-end medical review processes*, February 2007.

- lack of accurate statistics
- doctors largely uninformed of their responsibilities and limitations relating to the process.

The consultant considered that many of the problems with the administration of the medical review process were attributable to inefficiencies with the Information Technology (IT) of the driver licensing system. For example, with the previous medical review IT system it took four steps to record medical reports and correspondence, with most processes automatic. The same process with the current driver licensing IT system involves 13 to 14 steps to record the initial report and then a further 7 to 8 steps to record each subsequent report.[113] This adds considerably to the time required to process routine administrative matters.

Of the 31 IT improvements to the licensing system proposed, only five enhancements (estimated to cost $1.3 million) will be implemented in 2007-08. This includes rectifying a key weakness with the system that allows customer service officers to remove controls placed on licence records to prevent the re-issue of licences. My officers were told of instances where customer service officers have re-issued licences, even if outstanding medical reports to determine a person's medical fitness to drive have not been received.

I am advised that it will take a year to scope, develop and test these minor modifications because of the complexity of the licensing database and the need to work through the contractor who manages the driver licensing system. My officers were told that the remaining 26 enhancements will be held over and considered as part of the business planning process for 2008-09, or postponed until the driver licensing system is redeveloped in 2012-13.

I am particularly concerned by the consultant's conclusion:[114]

> The functioning state of the Medical Review area has some serious problems that leave VicRoads exposed legally, financially and politically. The situation requires immediate, medium and long term rectification.

As previously mentioned, the reduction in the backlog of medical cases to be assessed is a positive development. This was achieved by staff working extended hours and by employing additional staff. However, the backlog continues to be an issue with the turn-around time exceeding the 15 working days that constitute the performance standard adopted by VicRoads to assess and complete a file.

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[113] ARRB Group Contract Report: *Review of end-to-end medical review processes,* February 2007, p.61.
[114] Ibid.

The following table reports the backlog of medical review cases in August 2007:

Table 9.2 – Medical review cases – August 2007

Week ending	Number of files in backlog [115]	Oldest date of file in backlog	Number of files requiring follow-up from the driver	Total number of medical review files on hand*
5 August	50	11 July 2007	2,052	3,190
12 August	200	18 July 2007	2,437	3,961
19 August	587	23 July 2007	2,444	4,281
26 August	430	2 August 2007	2,384	4,100

*includes files that require follow-up from the driver

Conclusion

One of the recommendations contained in the ARRB Group report on the medical review processes is that VicRoads needs to determine clear responsibilities, accountabilities and management of issues surrounding medical fitness to drive and older drivers. I am not convinced that this recommendation has been addressed in the new organisational restructure.

The delays in implementing these changes obviously have resource and cost implications and potentially expose VicRoads to criticism.

With a high proportion of the Victorian community holding a driver licence of some type, it is essential that VicRoads have an effective system for reporting, assessing and determining whether an individual is medically fit and capable of driving safely.

I have concerns that VicRoads has difficulty in balancing its business focus on delivering cost-effective services with its wider statutory obligations to assess a licence holder's fitness to drive.

The backlog of cases raises issues about VicRoads' possible legal liability. This is particularly so where VicRoads receives a notification from a third party

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[115]   The amount of time it takes to deal with particular cases depends on the medical condition and the information the medical review area needs to gather.

suggesting that an individual is not fit to drive, and there is a delay by VicRoads in acting on that notification in a timely manner. Issues also may arise where VicRoads' determination of the case is delayed due to the time taken by a third party to provide a medical report.

According to the legal opinion obtained by VicRoads, it would not be liable in cases where its determination is delayed due to a third party failing to provide a report in a timely manner that a driver is medically unfit to drive. However, the legal opinion acknowledged that VicRoads could be exposed to criticism if a Coroner investigated a death in these circumstances.

QT advised my officers of the legal advice it had received on this matter, which differed to that of VicRoads. QT obtained this advice following the coronial inquests by the Office of the State Coroner in 2005[116] and 2006[117] into two deaths arising from motor vehicle accidents caused by licensed drivers whose medical conditions made them unfit to drive.

The law in relation to the duty of care owed by statutory authorities, such as VicRoads, was revisited by the High Court in its decision *Leichhardt Municipal Council v Montgomery* [2007] HCA 6 (27 February 2007). The Court held that the duty of care to which a road authority may be subject is to be determined by looking at the nature of the statutory powers given to the authority, the intentions of the legislature which granted the powers, and the purposes for which they were conferred.

In my opinion VicRoads may be at risk of a breach of its statutory duty if it does not, in a timely manner, determine medical review notifications and, where it has determined a person as being unfit to drive, implement any conditions, suspension or cancellation of the person's licence as soon as practicable.

Recommendation 48

I recommend that VicRoads allocate more resources to the medical review unit to reduce the backlog of cases awaiting assessment.

VicRoads response:

Accepted. The Medical Review team has been restructured to incorporate twelve more staff, including an additional three managers, of which two have a medical or health-related qualification.

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[116] Office of the State Coroner (QLD), Inquest into the death of Jet Paul Rowland, 15 September 2005.

[117] Office of the State Coroner (QLD), Inquest into the death of Lex Robert Bismark, 23 February 2006.

Information and education

VicRoads officers acknowledged that deficiencies with the driver licensing IT system are largely the reason why VicRoads does not collate data that would assist with managing the review process. For example, VicRoads does not collate data on:

- number of conditional licences issued for medical reasons
- number of licences suspended for medical reasons
- correlation between particular medical conditions and the number of conditional or suspended licences
- most common medical conditions that affect the high risk groups (for example, drivers of dangerous goods and public passenger vehicles)
- correlation between specific medical conditions (such as sleep disorders, epileptic conditions) and road accidents, injuries and property damage.

In my view this data would assist VicRoads to manage the medical review process better by:

- identifying and monitoring trends
- identifying drivers with high risk medical conditions
- determining strategic priorities.

Such data could also assist VicRoads with the specific targeting of educational and promotional activities so that more consistent information about the impact of some medical conditions on driving could be provided to the community, medical professionals and community health organisations.

This is particularly important as the Victorian system is heavily reliant on self-referral or voluntary reporting of medical conditions. The onus is therefore largely on the individual driver to determine whether they have a condition that affects their driving.

I am aware that VicRoads distributes the *Victorian Older Drivers' Handbook* to drivers over 60 when they receive their licence renewal form. However, it is also essential that the community is educated about these issues because there will always be some drivers who, because of the nature of their illness, such as dementia or psychiatric problems, may not be aware of their legal responsibilities in relation to this matter.

According to a recent report:[118]

> Over 90 per cent of health professionals find that their patients are unaware of their responsibility to report to the driver licensing authority, and there is a feeling that the health professional-patient relationship is jeopardised when the patient is alerted to this responsibility in the first instance by their doctor or other health professional.

Recommendation 49

I recommend that VicRoads broaden its education and awareness programs about medical issues and safe driving.

VicRoads response:

Accepted. Based on the information from recommendation 50, high risk groups and associated support service providers will be identified. This will build on the current education and awareness programs being undertaken with older road users and programs that involve working with medical practitioners to ensure that safe driving is a priority among those treating patients with conditions that may impair driving.

Recommendation 50

I recommend that VicRoads collect data on:

(a) the correlation between particular medical conditions and the number of conditional or suspended licences

(b) the most common medical conditions affecting high risk groups (such as drivers of dangerous goods, public passenger vehicles and b-doubles)

(c) the correlation between specific medical conditions and road accidents.

VicRoads response:

Accepted in principle. VicRoads' recognises the need for improved data capture and analysis to help inform policies, programs and strategies to improve road safety outcomes. The data proposed will be considered within the need for broader information requirements.

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[118]   National Transport Commission, Interim Review Report prepared by Communicating for Health Pty Ltd (Bruce Hocking and Associates) *Assessing Fitness to Drive,* dated July 2006, pp.98-99.

The ability to obtain the information proposed will also be a consideration within the scope of the redeveloped registration and licensing system.

Recommendation 51

I recommend that VicRoads consult with the Transport Accident Commission about undertaking a joint promotional campaign that focuses on the impact that certain medical conditions can have on driving safety, and on drivers' legal responsibilities to report long-term or permanent injury or illness that may affect their ability to drive safely.

VicRoads response:

Accepted.

VicRoads website

The *Victorian Older Drivers' Handbook* is comprehensive and easy-to-read. However, accessing the handbook through the VicRoads website is difficult because there are no simple links available, with a secondary search needed to locate it. This applies to all information at the VicRoads website relating to the medical review process.

Conclusion

VicRoads does not fully utilise its website to provide comprehensive information about the medical review process and specific health issues that could affect driving.

Recommendation 52

I recommend that VicRoads give priority to redeveloping its website so that:

(a) information and forms relevant to the medical review process are easily accessible

(b) information is available on the effect of some medical conditions on driving safety.

VicRoads response:

Accepted. Information about the medical review process and answers to a list of frequently asked questions was put on VicRoads website on 17 September 2007. The webpage also:

- *lists a number of medical conditions that may affect a person's ability to drive safely;*
- *includes a copy of VicRoads medical report form and the National Assessing Fitness to Drive Guidelines;*
- *provides contact details if a person requires more information; and*
- *provides brochures about epilepsy, diabetes and occupational therapists.*

Recommendation 53

I recommend that VicRoads provide links on its internet home page for people to obtain further information and guidance on the medical review process and information about alternatives to driving.

VicRoads response:

Accepted. Please refer to response to recommendation 52. In addition, VicRoads is developing a brochure titled "Getting around without a car – transport options for non-drivers". It is expected that this brochure will be available on the website and in hard copy by late November 2007.

Assessing fitness to drive

The ageing of the population is an issue with wide implications for whole-of-government and for VicRoads. Yet of all the Australian states, Victoria is the only one that does not have some form of age-based health assessment. The following table sets out the different approaches:

Table 9.3 – Approach to medical and driving tests in Australian jurisdictions (as at 30 July 2007)

State or Territory	Age Requirement for Assessment	Road Test	Medical Report	Vision Test
Victoria	None	When reported	When reported	When reported
NSW	80 years[119]	Required annually	Annually	Annually[120]
South Australia	70 years	None	Annually	Annually
Queensland	75 years	None, unless recommended by medical report	Every 5 years	Every 5 years
Western Australia	75 years	None, unless indicated by medical report or convictions	75, 78, 80 onwards annually	75, 78, 80 onwards annually
Northern Territory	None[121] (however mandatory reporting by medical professionals)	When reported	When reported	When reported
ACT	75 years	None, unless indicated by medical report	Annually	Annually

Internationally, most European countries commence medical testing at age 70; New Zealand conducts a medical test at 75, then biennially from 80.

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[119] The NSW Roads and Traffic Authority has recently issued a discussion paper on Licensing of Older Drivers, dated July 2007, proposing annual medical testing will commence from age 75 rather than at age 80, p.7.

[120] Ibid., proposing that at age 85, a 10km radius restriction will be placed on the driver licence in lieu of the current mandatory driving test. A 'home to town' restriction would be available for rural drivers. Older drivers would only be required to pass a driving test if they needed to remove or modify their radius restriction.

[121] The Northern Territory has mandatory reporting by health professionals of a medical condition that may affect a person's ability to drive.

According to a discussion paper recently released by the NSW RTA, Australians over the age of 65 have a one in 15 chance of developing dementia. One in nine people between the ages of 80 and 84 have some form of dementia and the rate is one in four for people over the age of 85. All forms of dementia affect a person's ability to drive.[122]

Eye diseases affect 23 per cent of people over the age of 65 and 31 per cent of those over the age of 80.

In response to these issues, Victoria has introduced three-year licences for drivers over the age of 75.[123]

I include this information to highlight that this is an evolving area that will have implications for VicRoads medical review process.

Conclusion

For many drivers the decision to restrict, suspend or cancel their licence can be very traumatic because of the impact it will have on their independence and lifestyle. It is a sensitive issue that has significant legal, political and social consequences.

It is therefore essential that VicRoads address the problems with both the medical review process and age testing, and ensure that adequate resources are allocated to this area to enable it to discharge its statutory responsibilities in a timely and efficient manner. VicRoads also needs to develop strategies to manage the emerging issues associated with an ageing population and road safety.

Recommendation 54

I recommend that VicRoads give consideration to the road safety implications of Victoria's ageing population and, in particular, the consequences for the medical review process.

VicRoads response:

Accepted. Victoria will continue to consider the road implications of an ageing population and has undertaken a number of significant initiatives that focus on this area. For example, Victoria has developed a strategic approach to older driver safety and

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[122] NSW Roads and Traffic Authority, Discussion Paper on Licensing of Older Drivers, dated July 2007, p.6.
[123] In accordance with recommendations made in *'The Report of the Road Safety Committee of Parliament on Road Safety for Older Road Users'*, 2004.

ensuring fitness to drive based around the Safe System (covering safer vehicles, safer roads and safer drivers), and also older driver transition to non-drivers.

VicRoads is also working with other agencies in this regard.

Recommendation 55

I recommend that VicRoads develop long-term strategies to address the medical review issues identified in my report.

VicRoads response:

Accepted. Work has commenced in relation to implementing a number of recommendations identified in the ARRB report.

10.   DEMERIT POINTS SCHEME

Victoria's demerit points scheme removes repeat traffic offenders from the road and provides an incentive for improving driver behaviour. It is a key part of Victoria's road safety strategy, which is aimed at reducing annual fatalities and serious injuries from road crashes by 20 per cent by 2007.

Demerit points apply to all speeding offences and a range of other traffic offences. The number of points imposed increases with the severity of the offence, ranging from one to 10. The points accrue to a driver's licence. If a licence accumulates 12 or more demerit points in a three-year period, the licence holder faces either stricter conditions or the licence may be suspended. This also applies if learner or probationary drivers accumulate five or more demerit points in any 12-month period.

In April 2006, 1.5 million or 47 per cent of all Victoria's full licence holders had at least one demerit point. Less than one per cent of drivers had 12 points or more.

The scheme is very complex and jointly administered by Victoria Police, the Department of Justice and VicRoads. It also involves two contractors, Tenix Industries (which undertakes day-to-day processing on behalf of Victoria Police) and EDS Australia (contracted by VicRoads to carry out the daily processing of the tapes containing demerit changes received from Tenix). VicRoads carries out any transactions that cannot be processed automatically by EDS, such as those received from Courtlink.

My investigation identified significant issues with the Victorian demerit points scheme. These are largely attributed to:

- incomplete or incorrect data received from Victoria Police[124]
- inadequacies of the driver licensing database[125]
- deficiencies in the interstate demerit point exchange process with other Australian jurisdictions[126]
- deficiencies with VicRoads auditing arrangements.

At the present time, approximately 10 per cent of demerit points incurred as a result of traffic offences are unallocated to a specific driver's licence.

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[124]   *Cross Agency Report into the Administration of the Demerit Points Scheme in Victoria,* April 2006 p.11.
[125]   Ibid.
[126]   Ibid.

This translates to approximately 2,000 transactions per week. *The Cross Agency Report into the Administration of the Demerit Points Scheme* identified:[127]

> This is an unacceptably high figure and compromises the road safety benefits of the system as a whole by allowing offenders to go unpunished, particularly those repeat offenders who may be faced with licence suspensions had the points been allocated.

Apart from the potential to compromise road safety, the non-allocation of demerit points represents a significant loss of revenue, potentially up to tens of millions of dollars annually.

The following table outlines the reasons why such a significant number of demerit points are rejected:

Table 10.1 – Driver Licence System 'rejected' demerit transactions by category[128]

Category	Percent
More than one person with same name	4
No matching licence via name and date of birth	9
Licence type not on database	19
Interstate / overseas drivers	35
Surname mismatch	25

With the increased use of traffic cameras and the absence of direct driver interaction, the licensing system relies on matching registration numbers with names and addresses to locate the offender. The alignment between the car registration details and driver licence details does not always exist to enable a match. The difference can be as minor as an abbreviated first name being compared with a full first name, thereby resulting in a rejection.

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127   Ibid., p.12.
128   Ibid.

Table 10.2 – Example of rejected transaction

Incoming record reads	
Name	Joe Smith
Date of birth	–
Licence number	_
Address	1 Smith Street, Smithville
Registration number	ABC 123

There is no record of Joe Smith at this address, but there is a Joseph Smith at this address. As the system matches on full name, the entry is rejected.

With no licence number the matching process is even more complex and the opportunity for rejections increases. My officers were advised by VicRoads that 80 per cent of rejected transactions are forwarded for processing without a licence number.

According to officers at the Traffic Camera Office, the driver licensing system impedes the matching process in three ways:

- lack of matching details between vehicle registered operator information and corresponding licence holder information
- the existence of multiple entries for the one person
- flawed automatic matching processes.

Representatives from VicRoads and Victoria Police briefed my officers on the loopholes within the current arrangements, which can result in drivers avoiding penalties and sanctions. They expressed concern that there appeared to be an increase in the incidence of drivers who were aware that there were ways around the system to avoid the allocation of demerit points and penalties.

This is reflected in the millions of dollars in outstanding fines and the significant number of unrecovered fines that the government writes off each year. This in turn undermines the effectiveness of the demerit points system.

Conclusion

I am aware that the Victorian Government has recently made some legislative changes to address some of the problems with the demerit points system. However, other improvements are required. This includes highlighting the penalty for making a false statement on the nomination form and in related publicly available literature.

A good example is the statement in some of the documentation used by the Queensland Department of Transport:

> I understand that I may be prosecuted for giving or stating any false or misleading information.

Recommendation 56

I recommend that VicRoads amend the nomination part of the Traffic Infringement Notice to clearly indicate the penalty for making a false statement.

VicRoads response:

Accepted in principle. VicRoads will work with the Department of Justice, which has responsibility for the Traffic Infringement Notice, in relation to this matter.

Recommendation 57

I recommend that VicRoads clearly state on all licensing and registration forms a prominent warning about giving false information and the consequences of providing forged documents.

VicRoads response:

Accepted in principle. VicRoads agrees that appropriate mechanisms for deterrence should be developed in relation to false information.

Lack of audit trail

I was informed that there is no audit trail in relation to the 23 staff who are authorised to adjust demerit points or remove conviction data relating to driving offences. I was advised that the licensing system only records access to a record (i.e. an enquiry, an addition, an update, a deletion); it does not maintain

a historical record of the information in the record before it was modified or deleted. As a result if demerits points and convictions are deleted from a driver licence record, the deleted information cannot be identified nor can the record be reconstructed. These deficiencies clearly leave the system open to corruption.

My officers were advised that the processing of demerit points incurred by interstate and overseas drivers is a 'work in progress', and national committees are working on managing a workable exchange system of licensing information of which the Demerits Points Exchange system is a part. Currently information from each state and territory is collated and then distributed to the respective states via the NEVDIS program and automatically uploaded to the licensing system. I understand that checks on the NEVDIS system, which are through the internet, cannot be audited. Again this is a concern because of the potential for any unauthorised access to go undetected.

Recommendation 58

I recommend that VicRoads address the lack of an audit trail in the demerits points system as a priority.

VicRoads response:

Accepted.

11. WHISTLEBLOWERS PROTECTION ACT

> In the long haul the solution cannot be one that involves tagging an employee as a whistleblower and then trying to protect the person thus singled out. The emphasis has to be on creating a climate in which agencies possess the managerial willingness and internal capacity to investigate themselves in an open and direct manner to ensure that they conform to their own publicly stated ethical and professional standards.[129]

The purposes of the *Whistleblowers Protection Act 2001* (the Act) are to encourage and facilitate the making of disclosures of improper conduct by public officers and public bodies, and to establish a system for matters disclosed to be properly investigated and dealt with. The Act provides protections to a person who makes a disclosure.

The VicRoads corporate risk plan for 2006-07 identifies registration and licensing as a critical business for government. As my previous report on VicRoads registration practices and this investigation show, the registration and licensing business operates in a high risk environment.

VicRoads nominated the Whistleblowers Act as one of its strategies to address these risks. Yet since the Act came into effect six years ago, VicRoads has not reported one disclosure. This is in sharp contrast to the situation at other road traffic authorities, such as QT and NSW RTA which both advise that approximately 30 disclosures are made each year.

The VicRoads disclosure officer, who is also the Manager of the Investigations and Anti Corruption Investigations Group, advised that VicRoads employees usually report any fraudulent behaviour to him or indirectly through their managers without using the provisions of the Act.

The following case studies demonstrate the risks from internal and external sources that VicRoads faces.

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[129]   Professor Richard Fox, *Protecting the Whistleblower* (1993) 15 Adelaide Law Review 137 at p.162.

Case Study 6 – Criminal charges involving VicRoads staff and contractors

Operation Lictor

This joint criminal investigation with Victoria Police into rebirthing of stolen vehicles involves charges against 32 individuals: Five former VicRoads staff, including a former casual employee at a customer service centre (67 charges) and three former customer service officers (one involves 92 charges; another 76 charges; and the last eight charges); a youth trainee at a customer service centre (146 charges); five licensed vehicle testers; two licensed motor car traders; and 19 others.

Charges included accepting a bribe; conspiracy to cheat and defraud; misconduct by public official; obtaining financial advantage by deception; furnishing false information; and making a false document.

These matters will be considered by the courts in 2009.

Case study 7 – Staff misconduct – conflict of interest

A VicRoads employee purchased a company that provided testing services to VicRoads. The employee failed to notify VicRoads management of this financial interest and potential conflict of interest.

The internal investigation established that the employee was directly/indirectly involved in the raising and approving of 10 purchase orders totalling $77,655 over a 15 month period.

The employee became aware he was being investigated and resigned.

These examples illustrate the different internal and external fraud activities that can involve VicRoads staff and contractors, businesses, and clients.

Conclusion

With this in mind, I believe it is essential that VicRoads have an effective risk management framework that encourages staff to report unethical behaviour, fraud and corrupt practices.

VicRoads has advised that its research has shown that many employees are more inclined to report issues if they can remain anonymous and report concerns via an independent forum. Consequently, VicRoads has decided to trial an independent and external telephone-based 'ethics hotline' for 12 months, which will be run by a private sector company.

I have some concerns that the proposed hotline may contravene the *Whistleblowers Protection Regulations 2001* which do not provide for public bodies (for example, VicRoads) to delegate the receipt and assessment of whistleblower disclosures to private agents. I have asked VicRoads to provide me with a copy of the draft guidelines that the company will follow when advising people who wish to make a protected disclosure.

As well as the fact that none of VicRoads 2,500 staff has used the provisions outlined in the Act, anecdotal evidence suggests that within VicRoads there is a reluctance to use this system, as these two responses from staff show:

> Because of the culture within VicRoads, I don't like putting my hand up for fear of retribution.

> I know something's gone wrong but I don't want to be the one found out that has dobbed in.

I believe that VicRoads needs to review its procedures for dealing with whistleblower disclosures against best practice standards so that it uses the Act for the purposes for which it was introduced.

Recommendation 59

I recommend that VicRoads:

(a) review the effectiveness of its processes for handling disclosures under the *Whistleblowers Protection Act 2001.*

(b) undertake training of staff and management to increase awareness of:

    (i) their responsibility to report any suspicions of improper practice and corrupt conduct

    (ii) the procedures relating to protected disclosures.

VicRoads response:

(a) Accepted. VicRoads is committed to the Whistleblowers Protection Act and the processes outlined within it. VicRoads will review its processes for handling disclosures in accordance with the Ombudsman's Guidelines relating to the Act.

(b) Accepted. VicRoads will build on its current programs to develop effective mechanisms for raising awareness in relation to responsibilities and processes under the Act.

Recommendation 60

I recommend that VicRoads review its auditing arrangements in its customer service centres with a view to identifying areas vulnerable to misconduct and fraud, in light of the matters raised in this report.

VicRoads response:

Accepted.

12. VICROADS INVESTIGATIONS AND ANTI CORRUPTION GROUP

VicRoads Investigations and Anti Corruption Group has responsibility for investigating all allegations of fraudulent or corrupt activity, both internal and external, that involve a VicRoads function. This can range from investigating an external contractor on a major road project who may be financially defrauding VicRoads, to a staff member who is inappropriately accessing driver licence information.

At present the group consists of eight staff. Due to the increase in the number and complexity of investigations, I am advised that the group has been unable to provide any awareness training to staff in the majority of VicRoads metropolitan and regional offices during the past year.

In my opinion, this is unsatisfactory. The group needs to be resourced at a level that enables it to have a high profile across VicRoads and be actively involved in ongoing employee awareness programs (not just induction programs) that reinforce the ethical standards expected of staff. Staff should also be briefed on the high risk nature of registration and licensing activities, how they can assist in countering fraud and corruption against VicRoads, and what the outcomes are of their assistance. The presentations by the group should also report on the systems in place by which employees can report any suspected fraud or corruption.

Recommendation 61

I recommend that VicRoads allocate sufficient resources to the Investigations and Anti Corruption Group to enable it to:

(a) undertake a proactive role in identifying and investigating licensing and related corruption risks
(b) educate and inform VicRoads staff and management about corruption risks, prevention strategies and ethical issues.

VicRoads response:

Accepted in principle. VicRoads will review and implement effective mechanisms within the organisation to address the key matters underpinning this recommendation.

13.   VICTORIAN TAXI DIRECTORATE

In 2006 I conducted an own motion investigation into the Victorian Taxi Directorate (VTD) which led to a number of recommendations. Since then I have monitored the progress made with the implementation of my recommendations.

My interest in VTD[130] during this investigation focused on how effectively it is administering taxi driver accreditation and monitoring, and enforcing compliance.

VTD is responsible for regulating a complex industry. The taxi-cab and hire car industry embraces the interests of taxi-cab, hire car and special-purpose vehicle licence holders, operators, 'assigned operators', privately owned taxi depots, drivers, 'bailee' drivers, accredited training organisations and individual trainers/assessors, and various associations and unions representing each of those interests.

There are 4,425 (including 367 wheelchair accessible) taxi licences, 10,000 active drivers and 26,000 certified drivers. The taxi industry attracts a wide range of people. Currently there are around 75 nationalities represented. A survey based on enrolments in the taxi-cab driving course during 2004-05 indicates that the top five countries of origin were India (64 per cent), Australia (14 per cent), Sri Lanka and Pakistan (7 per cent) and Turkey (5 per cent). About 52 per cent of taxi drivers are overseas students.

VTD's key functions include:

- vehicle licensing
- issuing driver's certificates for taxis and hire care services in Victoria, and coordinating taxi driver training programs and managing taxi fare structures
- issuing taxi licences (for those individuals operating taxi businesses), renewal of licences and approving taxi drivers
- accrediting driving instructor authorities.

Over the past five years VTD has been subjected to a number of reviews which have focused on regulatory functions, management, performance, staff issues and statutory and administrative responsibilities. Each review has identified the

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130   VTD is part of the Department of Infrastructure and is responsible for regulating the taxi-cab and hire car industry.

need for work to be done and also repeated a number of messages from previous reviews. Some reforms have since been implemented, but there is a need to address some of the underlying problems in the taxi industry.

All applicants for a taxi or hire car driver's certificate are required to undertake a national police record check (criminal history) and complete a health assessment form, which is signed off by a medical practitioner. VTD assesses all applications and checks the applicant's driving history through the VicRoads driver licensing database. My officers were advised that VTD relies heavily on the accuracy of the information contained in the database.

All applicants for a taxi certificate are required to attend a registered training organisation for their English literacy to be assessed and to enrol in a course in taxi driving.

Key issues identified during my investigation include:

- VTD recently undertook a random audit of taxi driver information contained in the licensing database and information held in VTD's back-end system. The audit identified 150 taxi drivers who were driving despite the fact that their licence was suspended or revoked (either because of medical reasons or driving convictions). The audit also identified some drivers with two licences. I am concerned that, on occasion, VicRoads fails to provide details of taxi drivers who are charged or convicted of serious offences to VTD. Non-notification prevents VTD from taking appropriate action, such as suspending a driver or revoking their licence to drive. I consider that a formal Memorandum of Understanding is required in relation to the provision of information in these circumstances and that VTD, VicRoads and Victoria Police need to agree on the offences/illnesses that should be notified.
- Taxi licences are paper-based and VTD only holds photo images of drivers for 180 days. After that period they are destroyed. The Director of VTD indicated this is an area that may need to be reviewed because taxi drivers often indicate that they have lost their licence and seek a replacement certificate. This is obviously a practice that is open to potential fraud because it may assist a person to assume the identity of another individual.

- Periodic inspections of taxis undertaken by VTD's compliance unit, in collaboration with officers from the Department of Immigration and Citizenship, Department of Foreign Affairs and Trade, Centrelink, and the Sheriffs Office, have sometimes revealed that there are uncertified drivers, some with false identification, in taxis. This highlights the need to strengthen the accreditation and compliance processes.
- Fraud associated with the multi-purpose taxi program and with cabcharge and credit card skimming is an issue. A Manager Investigations has been appointed to VTD to undertake initial investigations into serious allegations and to focus on theft and fraud.
- It is difficult to discern facial features in some cases and therefore it is important that VTD verify the 'proof-of-identity' documents that are submitted with application forms. It is also important that the customer service officers at VTD have training in detecting fraudulent documents.
- VTD has few deterrent strategies to reduce the possibility of issuing accreditation to individuals who may not meet the criteria of a 'fit and proper' person. For example, the application form for accreditation to drive a commercial passenger vehicle/private bus includes the following statement:

> Applicants are warned that any person who gives false information when completing this form shall be guilty of an offence against the Transport Act 1983.

I consider that more explicit information is warranted, similar to my earlier comments regarding licences. There are also no display signs in the VTD office – indicating the consequences of providing false information. I am concerned that there is a high risk with some of the current procedures that unfit or improper persons could enter the taxi industry.

Recommendation 62

I recommend that VicRoads enter into a Memorandum of Understanding with the Victorian Taxi Directorate regarding the provision of details of convictions against taxi drivers for agreed offences.

VicRoads response:

Accepted. The memorandum of understanding will need to satisfy issues of privacy and confidentiality.

Department of Infrastructure response:

The Department of Infrastructure is finalising an agreement with Victoria Police on the provision of data regarding convictions against taxi drivers and a similar agreement is being developed between VicRoads and the Victorian Taxi Directorate.

Recommendation 63

I recommend that the Victorian Taxi Directorate retain the images of all applicants for accreditation to drive a commercial passenger vehicle/private bus and develop a policy that provides for the periodic archiving of that information.

Recommendation 64

I recommend that the Victorian Taxi Directorate not issue a replacement accreditation notice unless the applicant matches the facial image stored in its system.

Recommendation 65

I recommend that the Victorian Taxi Directorate validate the key 'proof-of-identity' documents submitted with an application.

Recommendation 66

I recommend that the Victorian Taxi Directorate train its customer service officers in the detection of fraudulent documents.

Recommendation 67

I recommend that the Victorian Taxi Directorate prominently display signs in its office that indicate action will be taken against applicants who provide false information.

Department of Infrastructure response:

Accepted all recommendations (i.e. recommendations 63, 64, 65, 66, 67) relating to the Victorian Taxi Directorate.

14. CONCLUSIONS

Several key themes reoccur in my report. **The first and most important** is that VicRoads licensing activities operate in a high risk environment. Despite acknowledging this fact, VicRoads has few risk management strategies covering its licensing activities.

Consequently, over a period of time, all security elements on the current driver licence have been replicated or compromised by individuals or organised crime groups for fraudulent use. This is a major concern and highlights the urgent need to upgrade the driver licence to incorporate new security devices and to strengthen systems for 'proof-of-identity'. It also supports the view that more sophisticated technology, such as facial recognition software and data matching software, are needed to combat the increase in identity theft and fraud involving a driver licence or permit.

The second theme is the difficulty that VicRoads has in balancing its regulatory role in the licensing of drivers with its whole-of-government role as a supplier of information for enforcement purposes. This is particularly apparent in the inaccuracies in the driver licensing database and with VicRoads delay in addressing the underlying problems. This is most clearly demonstrated in the large number of demerit points that cannot be allocated to drivers because of deficiencies with the licensing system and with VicRoads business practices. Not only is this potentially undermining the integrity of the demerit points system and road safety, it also results in a significant amount of revenue loss to government.

The third theme is the disproportionate emphasis placed on cutting costs and increasing productivity that underpins VicRoads approach to its driver licensing arrangements. Although VicRoads has amended its corporate plan and business plan to stress customer service, efficient services and the security of the process, the reality is that VicRoads appears to have difficulty balancing these competing demands. This is reflected in many aspects of VicRoads business practices, most notably in the customer service centres where emphasis is placed on achieving productivity targets and meeting tight deadlines. This approach has major risks and, in my view, is significantly compromising the integrity of the driver licensing arrangements, particularly as few identity documents are validated and verified.

The fourth theme is the limitations of the driver licensing database and the costs and inefficiencies of retaining this system. As my investigation revealed, problems with the database are central to many of the deficiencies I have

identified with the driver licensing arrangements. The system has limited functionality and is unable to meet the increasing demands and expectations placed on it by stakeholders.

Finally, the licensing of drivers is a critical business for the Victorian Government. It is essential that sufficient resources be provided so that the timetable for the redevelopment of the registration and licensing database project can be brought forward. A new integrated registration and licensing database will, in my opinion, go a long way to addressing many of the issues raised in my report.

15. RECOMMENDATIONS

I recommend that VicRoads:

1. Review the security features of the Victorian driver licence as a matter of urgency.

2. Ensure that the current review of the driver licence production contract, which goes to tender in 2008, includes consultation with stakeholders about the security features to be incorporated into the new licence.

3. Thereafter undertake an annual review of the security features of the driver licence, and that any review process include input from VicRoads Investigations and Anti Corruption Group, Victoria Police and the manufacturer of the licence.

4. Incorporate the annual security review of the driver licence into the Registration and Licensing Risk Management and Mitigation Assessment Plan.

5. Introduce the use of facial recognition software as part of the process for issuing and renewing driver licences and learner permits.

6. Cease providing an 'over-the-counter' driver licence and learner permit and move as soon as practicable to a 'deferred' service delivery model.

7. Centralise the production of all licences so that they are no longer produced at customer service centres.

8. Ensure that follow-up action is taken where necessary on the internal audit report *Customer Service Centre Health Check,* which was prepared by PricewaterhouseCoopers in May 2007.

9. As a matter of urgency, security arrangements in VicRoads customer service centres be upgraded to digital cameras.

10. Consult with expert bodies (such as Monash University Accident Research Centre), Victoria Police and its own internal Investigations and Anti Corruption Group to determine a more appropriate timeframe for driver licences and learner permits than the current 10 years, taking into account the factors I have previously mentioned.

11. Extend the facial recognition trial to include all driver licence records.

12. Review the findings of the PricewaterhouseCoopers' report, entitled *Evidence of Identity Review,* and particularly the recommendation that customer service officers be given more time to conduct 'proof-of-identity' checks.

13. Improve training for customer service staff about fraud-related activities, including how to deal with identity fraud and corruption issues and how to authenticate personal identity information.

14. Develop strategies to enable its customer service centres to implement Austroads leading practices in driver licensing customer enrolment and evidence-of-identity processes.

15. Develop deterrent strategies, such as displaying signs in its customer service centres to indicate clearly that:

    (a) offering bribes to staff is a criminal matter and action will be taken

    (b) using fraudulent documents or giving false information is a criminal offence.

16. Ensure that computer terminals for customer service officers have a screen saver to remind staff about the potential for identity fraud and their obligations to protect the privacy of VicRoads customers.

17. Review the lack of auditing trails across its business systems and determine the high risk areas which need to be addressed.

18. Review its work instruction to Salmat to minimise the creation of multiple client records and discontinue the practice of creating client records without 'proof-of-identity' checking.

19. Immediately implement system controls to prevent staff accessing their own registration and licensing records and those of their immediate family.

20. Review staff access to the driver licence database so that it complies with audit requirements.

21. Fill the position of Registration and Licensing Information Security Manager.

22. Develop a timeline for implementation of standard ES17799 for data security.

23. Give priority to masking details of credit cards used in customer service centres to ensure compliance with the Payment Card Industry Data Security Standards.

24. Include samples taken from each VicRoads office in future audits of new driver licences.

25. (a) Implement a data archiving strategy as soon as possible.

    (b) Develop and implement a data cleansing strategy as soon as possible.

26. As a priority, consider the introduction of facial recognition software as a data cleansing tool.

27. Review the access arrangements of all users of archived data to limit improper use.

28. Develop a central index of archived registration and licensing records.

29. Ensure that all confidentiality agreements with third parties who have access to the Driver Licence System are current and enforceable.

30. Ensure that confidentiality agreements with third parties are audited in a proper and timely manner.

31. Work with the Office of Births, Deaths and Marriages on an ongoing basis to facilitate the removal of records of deceased persons from the Driver Licence System.

32. Develop a system to allow it to check the data identified in the *Analysis of Data Integrity Report* to determine if a driving or registration concession should be granted to particular persons.

33. Not accept short payments for either driver licences or registration fees.

34. Replace the current Driver Licensing System. A new system should also incorporate vehicle registrations.

35. Develop a risk management program for driver licence testing.

36. Review its procedures regarding applicants from high risk countries and consider whether they should only be issued with a provisional driver licence.

37. Review its policy of accepting overseas driver licences as proof-of-driver capability.

38. Issue educational material for drivers from high risk countries which clearly explains the difference in the road laws in Victoria compared to overseas countries, as well as the responsibilities and obligations of people receiving a Victorian driver licence or permit.

39. Set out in its service provider agreements the minimum training requirements for accredited heavy vehicle and motorcycle training providers.

40. Audit, on a regular basis, all training service providers for compliance with the minimum training requirements.

41. Conduct an audit to determine whether it has current agreements with all of its service providers and Photo Point outlets.

42. Implement, as a matter of urgency, service agreements wherever the audit identifies the lack of a current service agreement.

43. Finalise the service agreement with the Municipal Association of Victoria as a matter of urgency.

44. Establish a register of service agreements showing, at a minimum, the types of services to be provided, the commencement and end-date of the agreement, and confirmation that public liability insurance is held by the provider and lists VicRoads as an interested party on the insurance documentation.

45. Review the standard service agreement to ensure that it specifies that services provided must be consistent with VicRoads business rules.

46. Ensure that all confidentiality agreements with service providers that have access to the driver licensing system are current and enforceable.

47. Ensure that the training provided to service providers and Photo Point outlets emphasises the need to comply with:

    (a) VicRoads business rules

    (b) privacy and confidentiality requirements relating to VicRoads data.

48. Allocate more resources to the medical review unit to reduce the backlog of cases awaiting assessment.

49. Broaden its education and awareness programs about medical issues and safe driving.

50. Collect data on:

    (a) the correlation between particular medical conditions and the number of conditional or suspended licences

    (b) the most common medical conditions affecting high risk groups (such as drivers of dangerous goods, public passenger vehicles, and b-doubles)

    (c) the correlation between specific medical conditions and road accidents.

51. Consult with the Transport Accident Commission about undertaking a joint promotional campaign that focuses on the impact that certain medical conditions can have on driving safety, and on drivers' legal responsibilities to report long-term or permanent injury or illness that may affect their ability to drive safely.

52. Give priority to redeveloping its website so that:

   (a) information and forms relevant for the medical review process are easily accessible

   (b) information is available on the effect of some medical conditions on driving safety.

53. Provide links on its internet home page for people to obtain further information and guidance on the medical review process and information about alternatives to driving.

54. Give consideration to the road safety implications of Victoria's ageing population and, in particular, the consequences for the medical review process.

55. Develop long-term strategies to address the medical review issues identified in my report.

56. Amend the nomination part of the Traffic Infringement Notice to clearly indicate the penalty for making a false statement.

57. Clearly state on all VicRoads licensing and registration forms a prominent warning about giving false information and the consequences of providing forged documents.

58. Address the lack of an audit trail in the demerits points system as a priority.

59. (a) Review the effectiveness of its processes for handling disclosures under the *Whistleblowers Protection Act 2001.*

   (b) Undertake training of staff and management to increase awareness of:

      (i) their responsibility to report any suspicions of improper practice and corrupt conduct

      (ii) the procedures relating to protected disclosures.

60. Review its auditing arrangements in its customer service centres with a view to identifying areas vulnerable to misconduct and fraud, in light of the matters raised in this report.

61. Allocate sufficient resources to the Investigations and Anti Corruption Group to enable it to:

   (a) undertake a proactive role in identifying and investigating licensing and related corruption risks

   (b) educate and inform VicRoads staff and management about corruption risks, prevention strategies and ethical issues.

62. Enter into a Memorandum of Understanding with the Victorian Taxi Directorate regarding the provision of details of convictions against taxi drivers for agreed offences.

VicRoads has accepted or accepted in principle all the recommendations relating to that agency.

I also recommend that the Victorian Taxi Directorate:

63. Retain the images of all applicants for accreditation to drive a commercial passenger vehicle/private bus and develop a policy that provides for the periodic archiving of that information.
64. Not issue a replacement accreditation notice unless the applicant matches the facial image stored in its system.
65. Validate the key 'proof-of-identity' documents submitted with an application.
66. Train its customer service officers in the detection of fraudulent documents.
67. Prominently display signs in its office that indicate action will be taken against applicants who provide false information.

The Department of Infrastructure accepted all the recommendations relating to the Victorian Taxi Directorate.

G E Brouwer
OMBUDSMAN

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