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Regulating vehicle safety inspections



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Regulating vehicle safety inspections

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Auditor-General's overview

E ngā mana, e ngā reo, e ngā karangarangatanga maha o te motu, tēnā koutou.

Over recent years, on average, nearly one person was killed and another seven seriously injured on our roads every day. The Ministry of Transport estimated the social cost of road crashes and injuries to be \$11.57 billion in 2022. New Zealanders want safer roads. Safe vehicles are a part of this.

Vehicle owners must have their vehicles regularly inspected to confirm they meet minimum safety standards before they can drive them on New Zealand roads. After passing an inspection, a vehicle can be issued with a warrant or certificate of fitness. New Zealanders have one of the highest rates of car ownership in the world. Each year, about five million vehicles are inspected before being issued with a warrant of fitness (for cars and other light vehicles) or certificate of fitness (for passenger service and heavy vehicles).

The New Zealand Transport Agency Waka Kotahi (NZTA) has authorised about 8400 approved vehicle inspectors and 3500 inspecting organisations to inspect vehicles and issue warrants and certificates of fitness.

Most vehicles are checked properly and given a warrant or certificate of fitness when they meet the required standard. However, in 2018, a car passenger died when their seat belt failed. The seat belt had not been properly inspected but the car had been given a warrant of fitness. This and other events prompted internal and external reviews of NZTA's regulatory systems and pointed to regulatory failure.

We all need to have trust and confidence in the vehicle inspection system as a regulatory failure could affect any one of us. We should all be confident that vehicles are inspected properly and that the vehicles on our roads have met minimum safety standards.

I wanted to know how NZTA makes sure that the people it authorises to inspect vehicles are inspecting them properly and issuing a warrant or certificate of fitness only when a vehicle meets all the required safety standards.

After the fatality in 2018, the reviews carried out found widespread failures in NZTA's regulatory functions. These included a lack of regulatory leadership and an approach that treated vehicle inspectors and inspecting organisations more like customers than regulated parties.

Since then, NZTA has made significant changes to strengthen its regulatory functions, including its regulation of vehicle inspectors and inspecting organisations. There is now a regulatory strategy, *Tū ake, tū māia: Stand up, stand firm*, and a dedicated regulatory position on NZTA's executive leadership team.

For this audit, my staff looked at NZTA's processes for appointing and monitoring vehicle inspectors and inspecting organisations, how it responds to non-compliance, and how it measures and reports on the performance of these activities.

What we found

Before it authorises vehicle inspectors and inspecting organisations to carry out inspections, NZTA ensures that those inspectors and organisations have the necessary technical skills and equipment to carry out inspections. It also checks that vehicle inspectors and the main representatives of an inspecting organisation are "fit and proper".¹ After this, NZTA visits them at least every three years to check their records, make sure they understand the current safety standards, and watch them inspect a vehicle.

When NZTA has concerns, it acts quickly. For serious cases, NZTA can suspend or remove authorisation for inspecting vehicles. In the worst cases, where deliberate fraud is involved, NZTA has prosecuted people under the Crimes Act 1961. As of January 2025, nine people had been prosecuted. In my view, NZTA is now much more likely to identify poor inspection practices, and to act quickly when it does, than it was before the events of 2018.

However, NZTA knows there are still improvements to be made. These include making requirements for inspecting vehicles easier to find and understand for people carrying out inspections, and modernising the information technology it uses. With more than 8000 people inspecting vehicles, it can be a challenge ensuring that they are all kept informed about the most current requirements.

NZTA also needs to strengthen how it assesses its performance and reports to the public on the difference its regulation of vehicle inspectors and inspecting organisations makes. Clearly articulating how its regulation contributes to the broader outcomes of safer vehicles (and, ultimately, safer roads) would help with this.

Data indicates that in New Zealand vehicle faults contribute to less than 4% of serious crashes. At the same time, vehicle age, design, and safety features can have an influence on the severity of crashes. However, there is no data that shows whether the lack of a warrant or certificate of fitness is a factor in the number of crashes that occur or their severity.

In my view, there should be publicly available information that makes it easier to see how the requirement for vehicle inspections, and NZTA's regulation of vehicle inspectors and inspecting organisations, contributes to vehicle safety. This could

1 A "fit and proper person" is defined in the Land Transport Rule: Vehicle Standards Compliance 2002, section 2.6. It includes consideration of an applicant's criminal history, transport-related offences, and any complaints received about them for any transport service they have provided or operated.

include information about the levels and types of non-compliance that NZTA is finding. There might also be opportunities for NZTA to improve efficiency by focusing on vehicle inspectors and inspecting organisations that have a higher risk of non-compliance. More use of data and analytics would support their ability to identify these risks.

Making these improvements is important, but there are wider challenges that NZTA needs to consider. The current model for inspecting vehicles is based on an assessment of the safety features that can be checked with a physical inspection. Many of the advanced safety systems found in newer vehicles rely on software that cannot be assessed with a physical inspection and are not looked at for a warrant or certificate of fitness. However, vehicle owners rely on these features to keep them safe and might assume they have been checked as part of an inspection.

In a 2022 insights briefing, the Ministry of Transport recognised that, as vehicles become more automated, their safety features are less likely to be covered by existing safety standards. Vehicle safety inspections will need to have an increased emphasis on vehicle software and sensor systems. The vehicle inspection industry might need a different approach and different skill sets.

In my view, it will also be important to consider how best to create a flexible and future-proof system that supports greater consistency and makes it easy for inspectors and inspecting organisations to understand and comply with requirements.

I have made five recommendations for NZTA and the Ministry of Transport to strengthen the regulation of vehicle inspectors and inspecting organisations. Other regulators might also find the recommendations and the other observations in this report applicable to their own regulatory systems.

Acknowledgements

I thank NZTA and the Ministry of Transport for their engagement with this audit. I also thank the industry organisations we spoke to for sharing their views with us, and the vehicle inspectors and inspecting organisations my staff visited.

Nāku noa, nā



John Ryan
Controller and Auditor-General | Tumuaki o te Mana Arotake

25 February 2025

Our recommendations

We recommend that the New Zealand Transport Agency Waka Kotahi:

1. ensure that it has a clear and consistent process for reappointing vehicle inspectors and inspecting organisations when their appointment term expires;
2. more clearly describe how vehicle inspections, and its regulation of vehicle inspectors and inspecting organisations, contribute to vehicle safety and the objectives and outcomes it wants to achieve;
3. further develop its data and analytics capability to:
 - understand how to better prioritise its resources for regulating vehicle inspectors and inspecting organisations;
 - provide more in-depth insights to inform ongoing improvements; and
 - measure the impact of its work; and
4. regularly publish information about the impact of its regulation of vehicle inspectors and inspecting organisations and about the progress it has made with recommendations from internal and external reviews.

We recommend that the New Zealand Transport Agency Waka Kotahi and the Ministry of Transport:

5. progress work to ensure that vehicle inspection requirements are:
 - easier to access and understand;
 - easier to change; and
 - fit for purpose for all vehicles, including those with modern safety systems.

1

The importance of safe vehicles

- 1.1 On average, one person is killed and another seven are seriously injured in road accidents every day. The effects of this are significant and widespread. The Ministry of Transport estimated the social cost of road crashes and injuries was \$11.57 billion in 2022.
- 1.2 Improving road safety has many benefits and has been a priority for successive governments. Because there are many causes of road crashes, there are many ways to reduce them. Poor road design and driver behaviour (such as speeding) are significant factors to address, but vehicle safety is also important.
- 1.3 The Government can control and influence vehicle safety in several ways, such as by promoting car safety ratings to encourage people to buy safer vehicles and by setting minimum safety standards for new and imported vehicles.
- 1.4 One of the ways that the Government controls vehicle safety is by requiring a regular warrant or certificate of fitness inspection for all vehicles to check they continue to meet minimum safety standards. Each year, about five million vehicles are inspected for either a warrant of fitness (for cars and other light vehicles) or a certificate of fitness (for heavy vehicles and passenger service vehicles). New Zealanders rely on the integrity of warrants and certificates of fitness to provide confidence that their vehicles meet minimum safety standards.
- 1.5 Vehicle safety technology is evolving rapidly. Newer cars increasingly offer automated safety features that reduce the risk of crashes occurring or protect people from harm when a crash does occur.
- 1.6 However, New Zealand's vehicle fleet is old compared with many other countries. In 2023, the average age of a light vehicle in New Zealand was almost 15 years. This means New Zealand vehicles are less likely to have modern safety features.
- 1.7 The New Zealand Transport Agency Waka Kotahi (NZTA) is the Crown entity responsible for regulating the land transport system, including vehicle safety. As part of the vehicle inspection system, NZTA authorises individuals and businesses to inspect vehicles and issue warrants and certificates of fitness on its behalf.
- 1.8 We carried out a performance audit to look at how effectively NZTA makes sure that vehicle inspectors and inspecting organisations meet requirements for inspecting vehicles and issuing warrants or certificates of fitness.

Why we did this audit

- 1.9 New Zealanders have one of the highest rates of car ownership in the world. When an owner pays for a warrant or certificate of fitness, they expect that their vehicle has been thoroughly inspected and is safe to drive. Collectively, New Zealanders pay millions of dollars annually for these inspection services and expect to get value for money.
- 1.10 There have been instances where trust and confidence in the vehicle inspection system has been affected. Some vehicle inspectors have failed to meet requirements – for example, by issuing warrants of fitness without fully inspecting the vehicle.
- 1.11 We did this audit to help provide Parliament and the public with assurance about the integrity of the vehicle inspection system. We wanted to see whether NZTA has effective measures in place to ensure that its requirements for vehicle inspections are being met, and that timely and appropriate action is taken when they are not.

How we carried out our work

- 1.12 We looked at how well NZTA:
- promotes compliance and prevents, detects, and responds to non-compliance by vehicle inspectors and inspecting organisations; and
 - uses information to review and improve the effectiveness of its monitoring of vehicle inspectors and inspecting organisations.
- 1.13 To carry out this audit, we:
- reviewed more than 90 documents and information across a range of websites;
 - interviewed people from NZTA, the Ministry of Transport, and the vehicle inspection industry;
 - observed four site reviews where NZTA staff assessed vehicle inspectors and inspecting organisations; and
 - observed a meeting of a management panel that considers cases of non-compliance.

- 1.14 We did not look at:
- NZTA staff capability and performance;
 - NZTA's regulation of other types of vehicle inspection (such as its border certification teams, which inspect the safety of imported vehicles); or
 - whether the standards vehicles need to meet to receive a warrant or certificate of fitness and the frequency of inspections are appropriately set to ensure vehicle safety.
- 1.15 We did not assess the progress NZTA has made in implementing specific recommendations from any previous reviews and audits, including reviews carried out after serious failings of the vehicle inspection system or reviews of NZTA's regulatory fees and funding. However, we do refer to those reviews throughout this report to help provide context.

2

Regulating vehicle inspectors and inspecting organisations

- 2.1 In this Part, we describe:
- the legal framework for regulating vehicle inspectors and inspecting organisations;
 - the activities of the team that regulates vehicle inspectors and inspecting organisations; and
 - changes NZTA made after a significant regulatory failure.

Rules made under the Land Transport Act 1998 set out safety standards

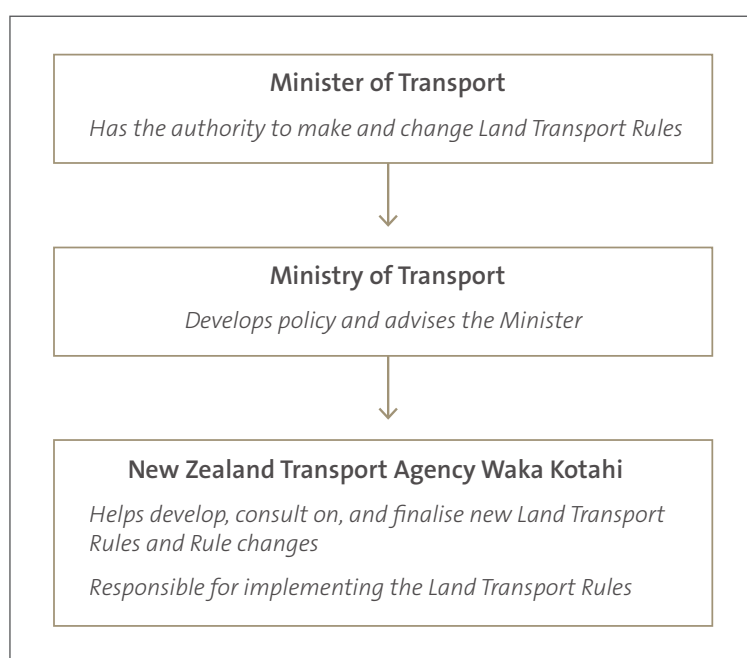
- 2.2 Rules made under the Land Transport Act 1998 (the Rules) set out safety standards vehicles need to meet to get a warrant or certificate of fitness. The Rules cover parts of the vehicle like brakes, seat belts, and lights.
- 2.3 A warrant or certificate of fitness inspection is not the same as a pre-purchase inspection (for example, it does not look at the engine or the transmission). Similarly, anything that is not covered by the Rules is not checked in a warrant or certificate of fitness inspection, even if it affects vehicle safety. This includes more advanced safety features (discussed further in Part 4) or, if a vehicle has had to be recalled by the manufacturer, whether the problem has been fixed.
- 2.4 This means that a warrant or certificate of fitness inspection does not provide complete assurance that a vehicle is safe, only that it meets certain minimum safety standards.
- 2.5 The Rules also provide the legal framework for safety inspections. This allows NZTA to:
- appoint people, called vehicle inspectors, to inspect vehicles and decide whether a vehicle meets the standard for a warrant or certificate of fitness;
 - check whether vehicle inspectors are inspecting vehicles correctly; and
 - take action when they do not.
- 2.6 The Rules cover the appointment of inspecting organisations. A vehicle inspector needs to work for an inspecting organisation to be able to issue a warrant or certificate of fitness. An inspecting organisation could be any size of business, from a small independent garage owned and run by an appointed vehicle inspector to a national chain like Vehicle Testing New Zealand (VTNZ), which employs hundreds of vehicle inspectors.
- 2.7 There are about 8400 approved vehicle inspectors working for 3500 inspecting organisations.

- 2.8 NZTA does not set the cost of a warrant or certificate of fitness inspection. Each inspecting organisation decides how much to charge vehicle owners, but pays NZTA a fee of \$4.16 for each warrant or certificate of fitness they issue.

One team manages the regulation of vehicle inspectors and inspecting organisations

- 2.9 The Safer Vehicles team manages the regulation of vehicle inspectors and inspecting organisations. Within this team, there is:
- a team that manages applications from people and organisations that want to be a vehicle inspector or inspecting organisation;
 - four regional teams that monitor vehicle inspectors and inspecting organisations;
 - a complaints team; and
 - other staff who carry out supporting and administrative roles.
- 2.10 The Safer Vehicles team also includes teams that regulate other types of vehicle inspections, including for imported vehicles, light vehicle repairs, and heavy vehicle specialist certifications. Although we did not look at these types of vehicle inspections, some of our findings might also be relevant for them.
- 2.11 The Safer Vehicles team is part of Te Rōpū Waeture, Regulatory Group in NZTA. This group is led by the Group General Manager who also holds the statutory role of Director of Land Transport. This role has certain functions, powers, and duties relating to regulatory matters that include monitoring how the land transport system complies with legislation.
- 2.12 Another part of Te Rōpū Waeture, Regulatory Group manages the safety standards that vehicles need to meet to get a warrant or certificate of fitness. Any changes to the safety standards and the underlying Rules require a change to legislation. The relevant legislation is administered by the Ministry of Transport in collaboration with the System Leadership Group in NZTA. Figure 1 shows the respective roles of the Minister of Transport, the Ministry of Transport, and NZTA in making changes to the Rules.

Figure 1
Roles and organisations in the land transport regulatory system



A regulatory failure in 2018 prompted significant changes

- 2.13 In 2018, a man died after his seat belt failed in a crash, shortly after the car had received a warrant of fitness. Investigations uncovered a history of poor compliance by the vehicle inspector and inspecting organisation that had issued the warrant. NZTA had taken minimal action after each incidence of non-compliance. It had not considered the overall pattern of non-compliance and whether it was appropriate for the vehicle inspector and inspecting organisation to retain their appointments.
- 2.14 NZTA publicly admitted there had been a regulatory failure. Further investigations also found 850 other cases of non-compliance that had not been acted on. Of these, 152 were considered high priority.
- 2.15 NZTA started making changes immediately. It commissioned a formal inquiry and the Ministry of Transport also initiated a separate review.

- 2.16 These reviews identified wider systemic failure caused by multiple weaknesses across different points of the regulatory system. These weaknesses included:
- weak regulatory leadership with a lack of regulatory expertise at a senior level and too much focus on NZTA's other functions of investing in and providing infrastructure;
 - lack of a regulatory strategy;
 - a poor regulatory culture, including treating regulated parties like customers;
 - unclear processes for escalating and acting on non-compliance; and
 - inadequate data and analytics capability.
- 2.17 In response, NZTA and the Ministry of Transport made significant changes. A follow-up review in 2021 found that good progress had been made but there was still work to do. Significant changes that had been made were:
- introducing a regulatory strategy;
 - creating the new Group General Manager Regulatory role and formalising the Director of Land Transport role in legislation;²
 - making one team responsible for all tasks involved in appointing and monitoring vehicle inspectors and inspecting organisations;
 - developing new regulatory practice frameworks;
 - strengthening processes for escalating risks; and
 - building better relationships with the vehicle inspection industry.
- 2.18 NZTA received loans from the Government totalling \$95 million to pay for urgent improvements and to clear its backlog of non-compliance cases. NZTA also increased the number of frontline regulatory staff, which helped to increase the frequency of its routine monitoring of vehicle inspectors and inspecting organisations (see Part 3).
- 2.19 After the regulatory failure, NZTA reviewed the funding for all its regulatory functions.³ It found that it did not have enough income to fully fund the ongoing cost of resourcing and carrying out regulation at the level it now required. As a result, NZTA updated many of its fees and charges, including the fee NZTA receives for each warrant or certificate of fitness issued. At the same time, it removed the application fees for new vehicle inspectors and inspecting organisations. These changes came into effect in October 2023.

2 The Director of Land Transport was a role in predecessor organisations but was disestablished when NZTA was formed in 2008. The role was re-established in 2020.

3 As well as regulating vehicles, NZTA regulates all vehicle drivers (through the driver licensing system), anyone who transports people or goods for a living, and rail safety.

- 2.20 NZTA told us it is too early to say whether the new fees and funding arrangements can sustain the enhanced regulatory function, but it expects to review the arrangements more frequently in future.
- 2.21 We did not assess NZTA's progress against findings and recommendations from the previous reviews. We also did not assess NZTA's review of its regulatory funding or the changes it made as a result. We only looked at the practices for regulating vehicle inspectors and inspecting organisations as they were at the time of our audit.
- 2.22 However, it is clear that significant improvements have been made in response to the regulatory failure in 2018. We heard about the positive impact of the changes that had been made from many of the people we spoke to for this audit.

Regulatory processes have been strengthened but could be improved further

3

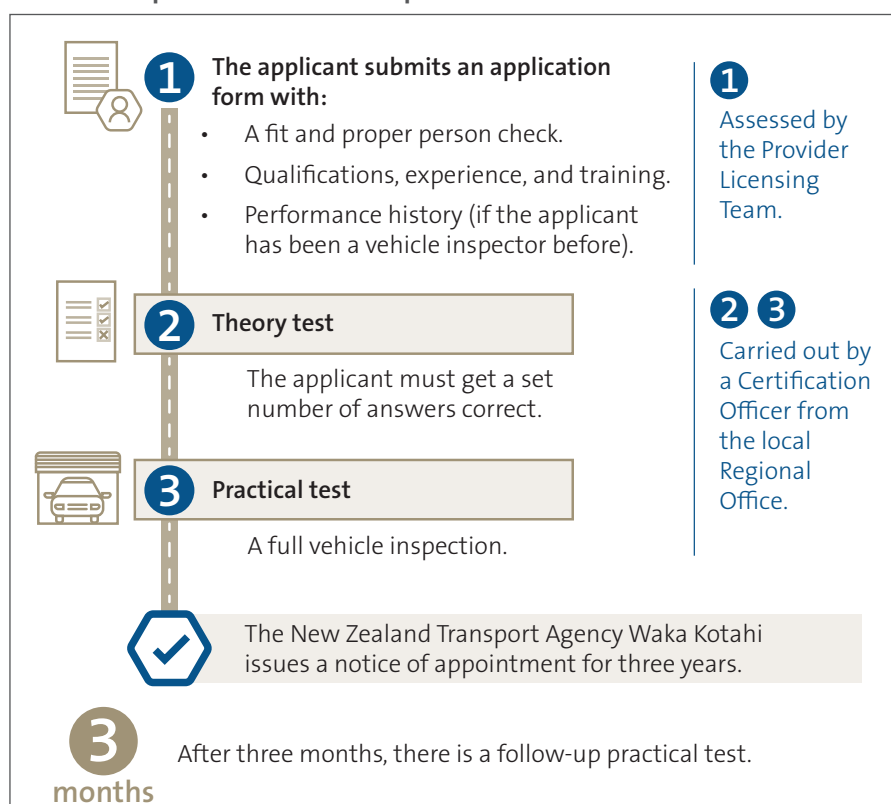
- 3.1 In this Part, we describe how NZTA:
- has improved its processes since the regulatory failure; and
 - could make further improvements.
- 3.2 We expected NZTA to have systems and processes in place to protect the integrity of vehicle inspections, and that it would deal with non-compliance quickly and effectively. In particular, we expected:
- a thorough appointment process to ensure that new vehicle inspectors and inspecting organisations have the right skills and are of good character;
 - clear and relevant requirements for inspecting vehicles;
 - appropriate and effective monitoring and assessment techniques to identify non-compliance; and
 - appropriate and timely action taken when non-compliance is found.

Some aspects of NZTA’s regulation are done well

There is a clear and thorough application process for new vehicle inspectors and inspecting organisations

- 3.3 The process for appointing new vehicle inspectors and inspecting organisations and the requirements they need to meet are set out clearly online.
- 3.4 The process is thorough. Applicants are assessed on their technical competence and also need to pass a “fit and proper person” check. They are assessed at different stages of the application process by different parts of the Safer Vehicles team.
- 3.5 A vehicle inspector is assessed in three stages (see Figure 2). Vehicle inspectors must also hold a current driver licence for each class of vehicle they want to inspect, because they need to drive each vehicle as part of an inspection.

Figure 2
Assessment process for vehicle inspectors



3.6 There are different theory tests for certificates of fitness. There are three different categories of certificates of fitness for different classes of vehicle. Vehicle inspectors need to sit a test for each class of vehicle they want to inspect.⁴

3.7 Pass rates vary. NZTA staff told us that a lot more people are applying to become a vehicle inspector since the application fee was removed and people are able to keep applying until they pass. This is particularly noticeable in Auckland, where we were told that about 50% of applicants fail the theory test. NZTA told us that on one occasion it tested 12 people who had completed a vehicle inspector course (run by a third party), and only one person passed.

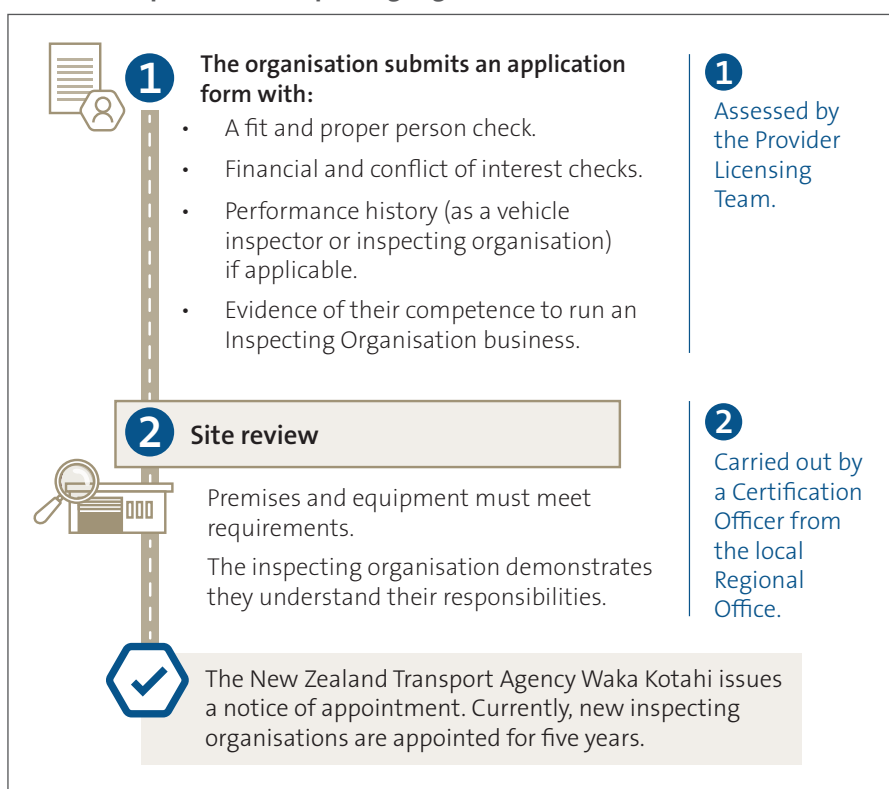
3.8 In the North Island, where volumes are higher, applicants sit the theory tests in groups. In the South Island, applicants are tested individually before their practical test.

3.9 The volume of testing and low pass rates suggest that this might not be an efficient use of NZTA's resources.

⁴ For light passenger vehicles, applicants need to answer at least 25 out of 28 questions correctly. For general service vehicles, the pass mark is 23 out of 26. For heavy passenger service vehicles, the pass mark is 24 out of 26.

- 3.10 Additionally, more applicants mean that more practical tests are needed. This creates more work for the regional teams and takes resources away from routine monitoring. NZTA has mitigated this, to an extent, by introducing a one-month stand-down period before someone who has failed the practical test can reapply.
- 3.11 The application process for inspecting organisations has both an internal assessment and a site review (see Figure 3). If the inspecting organisation is a business with multiple sites, each site must meet the requirements. The inspecting organisation then needs to employ one or more vehicle inspectors who have passed the assessment process described in Figure 2.

Figure 3
Assessment process for inspecting organisations



Note: Documentation checks apply to the main representative of the inspecting organisation and anyone else who has significant control over the inspecting organisation, such as a director or partner, even if they do not work in the business.

- 3.12 In 2024, NZTA appointed on average about 60 new vehicle inspectors and about 20 new inspecting organisations each month. There is no cap on the number of vehicle inspectors and inspecting organisations that can be appointed.

Vehicle inspectors and inspecting organisations are regularly monitored

- 3.13 After a vehicle inspector or inspecting organisation has been appointed, NZTA monitors their work to ensure that they continue to comply with requirements. The main way that NZTA does this is through site reviews (see Figure 4).

Figure 4
What happens during a site review

Before the site review

The Certification Officer generates reports about the inspecting organisation and vehicle inspector they will be visiting. This report includes information about the vehicle inspectors registered to the site, compliance history, and statistics that indicate possible risk areas.

Risk areas could include:

- vehicle fail rates for each vehicle inspector – vehicle inspectors who fail an unusually high number of vehicles could be overzealous or trying to generate unnecessary repair work, and vehicle inspectors who pass an unusually high number of vehicles might not be doing thorough inspections or might not be recording an initial fail properly; and
- the number of warrants or certificates of fitness each vehicle inspector issued on each day of the week and the number issued in each hour of the day – if daily inspection rates are high or inspections are recorded at unusual hours, it could indicate that vehicles are not being thoroughly inspected or are not being inspected at all.

At the site review

The Certification Officer looks in detail through the records that inspecting organisations have to maintain. Small errors or omissions count as an item of non-compliance.

There are two parts to a site review for a vehicle inspector:

1. A theory test about the vehicle inspection requirements. Vehicle inspectors are given 16 minutes and need to get eight or more of 10 questions right.
2. A vehicle inspection, which is observed by the Certification Officer. The Certification Officer might ask questions to check the vehicle inspector's understanding of what they are doing or to clarify why they did something a certain way. The Certification Officer uses a check sheet to assess how the vehicle inspector carried out each part of the inspection.

This takes about an hour. If the vehicle inspector has been appointed for more than one class of vehicle, this inspection needs to be on the highest class of vehicle they can inspect.

The outcome of the site review

The Certification Officer discusses their findings with the inspecting organisation and vehicle inspector and tells them what will happen next. This might include an educational aspect if there is something the Certification Officer considers needs improvement.

A letter is sent stating the outcome and outlining any next steps (see paragraphs 3.32-3.53).

- 3.14 Site reviews are carried out by Certification Officers in NZTA's regional teams. The reviews are different for vehicle inspectors and inspecting organisations because they have different requirements, but are often done in a single site visit.
- 3.15 There is a standard operating procedure to ensure that site reviews are done consistently. Certification Officers also use a standard set of documents for each site review. These include information about the inspecting organisation and vehicle inspector under review, check sheets to record their detailed findings, guidance and reference material, and templates for letters to communicate the findings of their review.
- 3.16 Site reviews usually take place every three years and are usually unannounced. If non-compliance was found at a previous review, site reviews may be more frequent. Guidance for this is included in the standard operating procedure.
- 3.17 New vehicle inspectors also have a site review after three months, but this will be scheduled in advance.

NZTA has worked hard to clear a backlog of site reviews

- 3.18 Before the regulatory failure, NZTA planned to visit vehicle inspectors and inspecting organisations every five years but had not been able to do so. Some had not been reviewed for more than eight years.
- 3.19 After the regulatory failure, NZTA reduced the standard time between site reviews to once every three years and has worked hard to complete all reviews that were overdue. This required an increase in resourcing, which was initially funded by Government loans. Funding to maintain this level of monitoring was secured after the funding review (see paragraph 2.19).
- 3.20 The backlog was biggest in Auckland, which experiences higher levels of vehicle inspector and inspecting organisation non-compliance than other regions. Non-compliance adds to the workload because NZTA often needs to follow up with further site reviews. Covid-19 added to the backlog because NZTA staff could not visit sites during lockdowns, which were longer in Auckland. NZTA has also found it difficult to recruit and retain the number of staff it needs to carry out site reviews in Auckland.
- 3.21 NZTA planned to have every vehicle inspector and inspecting organisation reviewed on a three-yearly cycle by 30 June 2024. NZTA was unable to meet this target because it was not able to secure sufficient resources. Despite this, NZTA has made good progress with reducing the backlog and, in the last three years, has reduced the total number of overdue site reviews from 2700 to 850. This is for all types of site reviews managed by the Safer Vehicles team.

- 3.22 To help reduce the backlog of site reviews, NZTA has also tried different ways of working, including:
- temporarily sending staff from other regions to Auckland;
 - shifting a regional boundary to rebalance the number of sites regulated by each team; and
 - trialling a new position to carry out the non-technical aspects of a site review (the review of an inspecting organisation's records) so that specialist staff have more time to focus on the technical aspects of the review.
- 3.23 We encourage NZTA to prioritise clearing the remaining backlog of site reviews. In particular, NZTA should focus its resources on site reviews it considers to be the highest risk.

NZTA also uses a mix of data analysis and following up on allegations to identify non-compliance

- 3.24 As well as using its regular site reviews to find non-compliance, NZTA investigates possible cases of non-compliance identified from information received (such as a complaint or allegation) or from its own data analysis. Allegations of poor or non-compliant practices can be received from the public or others working in the vehicle inspection industry. Industry organisations told us they want NZTA to deal with poor performance to protect the reputation of the industry.
- 3.25 Depending on the nature of an allegation, NZTA might use techniques such as a mystery shopper or covert observation to investigate the allegation and collect evidence. In a mystery shopper exercise, NZTA might take a specific type of vehicle or a vehicle with a known fault for an inspection to see whether it is inspected properly. In a covert observation, an investigator might watch vehicles being inspected from a discreet distance.
- 3.26 Complaints about a single vehicle are dealt with by a separate team. This is usually when a vehicle owner thinks their vehicle passed or failed an inspection incorrectly. When someone makes a complaint, they are often seeking an outcome as a consumer, such as a refund. NZTA does not have any powers to order a refund or compensation, but can provide their investigation report to the complainant for them to use as evidence should they choose to seek compensation from the Disputes Tribunal or a consumer complaints organisation.
- 3.27 If a complaint uncovers valid concerns about a vehicle inspector or inspecting organisation, they could receive a written warning or be subject to remedial action.

- 3.28 If a complaint or allegation uncovers more serious non-compliance, it will be escalated and dealt with in the same way as serious non-compliance identified during a site review (see paragraphs 3.35-3.41).
- 3.29 NZTA also uses data analysis to identify potential non-compliance. For example, data analysis is used to identify where vehicle inspectors have an unusually high or low pass rate for the vehicles they inspect or are issuing higher than expected numbers of warrants or certificates of fitness each day. The details of any vehicle inspectors identified in this way are passed on to the relevant regional team to investigate further.
- 3.30 NZTA has been using this type of analysis for the last few years. The Safer Vehicles team has introduced more powerful analytics tools and employed a dedicated data analyst. This has enabled better use of data to identify where there are risks of non-compliance.
- 3.31 In our view, there is scope for NZTA to use this information to develop a more risk-based approach to its monitoring, which could be a more efficient use of resources. For example, NZTA could carry out more frequent site reviews of vehicle inspectors and inspecting organisations that were considered to have a higher risk of non-compliance.

NZTA responds to non-compliance in a systematic and timely way

There is a clear framework that guides NZTA's regulatory approach

- 3.32 NZTA has a Compliance Response Framework to support a consistent, clear, and transparent approach for all staff involved in compliance decision-making. The framework describes NZTA's approach as "firm and fair" and encourages using the right tools at the right time. For example, the framework emphasises that education and guidance might be appropriate where there is an intention to comply. However, when people take risks that could cause harm to themselves or others, NZTA will take enforcement action to reduce or eliminate the risk of harm, consistent with legal requirements. The framework sits under NZTA's regulatory strategy *Tū ake, tū māia: Stand up, stand firm*.
- 3.33 In the context of regulating vehicle inspectors and inspecting organisations, NZTA uses a risk matrix with clear criteria to assess the risk of harm that could occur from an instance of non-compliance. The matrix has five risk levels, with a range of proportionate responses that can be considered for each level.
- 3.34 The risk matrix is included in the documents that Certification Officers use for site reviews. We observed Certification Officers referring to the matrix to make sure they were assigning the right risk level and selecting an appropriate response.

A range of enforcement options is available

- 3.35 NZTA has the power to take a range of actions in response to non-compliance, under the Land Transport Rule for Vehicle Standards Compliance 2002.
- 3.36 A low level of non-compliance, such as an inspecting organisation failing to keep its records complete and up to date, will usually be dealt with by a conversation at the time of the site review followed by a letter. Sometimes there will be a revisit after two to four weeks to see whether the aspects of non-compliance have been rectified.
- 3.37 Enforcement options available for more serious cases (such as failing to adequately check a vehicle's brakes) include:
- charging an infringement fee;
 - suspension (removing the right to inspect vehicles) until specified conditions have been met (such as training);
 - suspension for a fixed period; or
 - revocation of appointment.
- 3.38 NZTA began charging infringement fees for non-compliance in 2024 and as of January 2025 it had issued 16. Each infringement fee is \$370.
- 3.39 If there is an immediate risk of harm, NZTA can immediately suspend a vehicle inspector or inspecting organisation. This is a temporary suspension and provides time to investigate further before deciding on the final response.
- 3.40 In 2024, site reviews found that about 15% of vehicle inspectors and 26% of inspecting organisations were not complying with requirements.⁵ Although these rates seem high, we understand that most of the non-compliance (98%) was able to be dealt with through a follow-up review or educating those involved. More serious action was taken for the remaining 2%, such as seeking a suspension, revocation of appointment, or prosecution.
- 3.41 NZTA updated its prosecution policy in 2024 in line with *Tū ake, tū māia: Stand up, stand firm*,⁶ and has recently taken action to prosecute under the Crimes Act 1961.⁷ NZTA considers prosecution for serious offending that could compromise the integrity of the regulatory system (such as issuing warrants or certificates of fitness without inspecting the vehicle). Prosecution is also the only option NZTA has for taking legal action against anyone fraudulently issuing or selling warrants or certificates of fitness. As at January 2025, NZTA had prosecuted nine people. This is about 1% of all enforcement action taken by NZTA.

5 This excludes a low level of non-compliance where no follow-up was required.

6 See "NZ Transport Agency Waka Kotahi Prosecution Policy July 2024", available from nzta.govt.nz.

7 Prosecutions are carried out by Crown Law, supported by NZTA.

NZTA has clear roles and responsibilities for responding to non-compliance

- 3.42 Having clear roles and responsibilities helps NZTA ensure that enforcement decisions are made by the right people at the right time and are consistent with guidance and legislation.
- 3.43 Certification Officers manage low levels of non-compliance but are required to escalate cases to their regional manager when non-compliance is more serious or when lower levels of non-compliance are not resolved in a reasonable time.
- 3.44 These cases are considered by a panel of managers from the Safer Vehicles team. A legal advisor sits on the panel. The panel also considers cases of serious non-compliance that were identified through a complaint or allegation. The panel meets weekly and usually considers about five cases each week.
- 3.45 A new subgroup of the panel has been set up to consider infringements. The subgroup also meets weekly, before the main panel meetings.
- 3.46 The panel discusses each case in depth. It takes individual circumstances into account and considers input from a range of people. This includes the panel members, but also a separate team that puts together a report to support each case that goes to the panel.
- 3.47 In our view, this process could be further strengthened if the panel had a better way to record and access information from previous cases. We encourage NZTA to consider how it could record compliance decisions in a way that is easy to search for similar cases and establish more consistent precedents to follow.
- 3.48 The panel makes a recommendation about the appropriate response to the instance of non-compliance to the regional manager, who makes the final decision. There is a dedicated team to process decisions, such as updating systems to record a suspension.

Responses are timely

- 3.49 Certification Officers discuss the result of a site review with the vehicle inspector and/or inspecting organisation at the end of their visit. They follow up by sending a letter that confirms the outcome of the site review and, where applicable, the next steps, within a day of the visit. All non-compliance is recorded and tracked using a case management system.
- 3.50 If a follow-up visit is required, this will usually be scheduled within the next month. This gives the vehicle inspector or inspecting organisation time to rectify aspects that were not compliant.

- 3.51 When a decision needs to be considered by the panel, the process can take longer. The time taken depends on the circumstances and the complexity of the investigation required. The panel meets weekly, so a decision can be made quickly after the case has been put together.
- 3.52 However, the Senior Manager Safer Vehicles can also issue an immediate suspension. These cases will then be considered by the panel once more information is available.
- 3.53 In 2021/22, NZTA introduced a new performance indicator for the proportion of non-compliance actions progressed within acceptable time frames.⁸ The target is at least 95%. The results are published in NZTA's annual report and NZTA has met the target each year.

NZTA considers the wider implications of non-compliance

- 3.54 When non-compliance is found, NZTA needs to consider the validity of any warrants or certificates of fitness issued by the vehicle inspector and/or inspecting organisation involved. For example, if a vehicle inspector was found to not be inspecting vehicles thoroughly, NZTA cannot be confident that any vehicle that inspector had issued with a warrant or certificate of fitness met the required safety standards.
- 3.55 In these cases, NZTA can revoke the warrant or certificate of fitness of affected vehicles. When this has happened, NZTA has written to the vehicle owners to tell them the warrant or certificate of fitness is no longer valid and they will need to have their vehicle reinspected. The cost of reinspection falls on the vehicle owner, although the owner can seek a refund or compensation through standard consumer dispute channels.

Stronger relationships with industry organisations have led to improvements

- 3.56 NZTA told us that about 95% of vehicle inspectors and inspecting organisations are either a member of the Motor Trade Association or are part of one of three national vehicle inspection businesses: VTNZ, Vehicle Inspection New Zealand, or the New Zealand Automobile Association. NZTA refers to these four organisations as its key service delivery partners. As well as being regulated parties for vehicle inspections, these organisations have other relationships with NZTA (for example, VTNZ is contracted to provide driver testing services). This means constructive relationships are important.

⁸ An "acceptable time frame" is pre-defined for some types of non-compliance action, such as complaints (20 days) or a follow-up review (one month). For other actions, the time frame is set when the action is entered into the case management system, based on the nature of the action required.

- 3.57 Improving the quality of relationships with the industry was a major focus for NZTA after the regulatory failure. Industry representatives told us that, before the regulatory failure, NZTA had not been responsive to feedback. The Safer Vehicles team now has regular engagement with the key service delivery partners, who told us their relationships with NZTA have improved significantly and that NZTA is much more open to feedback.⁹
- 3.58 Being more open to feedback is one way that NZTA can learn about how it is performing and what it needs to improve. Better relationships with the industry also support the integrity of the vehicle inspection system, through sharing information and encouraging the industry to promote higher standards of work.
- 3.59 There are still some areas of tension between NZTA and the key service delivery partners. This is to be expected in a relationship between a regulator and regulated parties, especially where those parties also have commercial interests. Building good relationships is important, but it is critical that NZTA maintains the right balance between its constructive engagement with the key service delivery partners and its role as their regulator.

Other aspects need further improvement

Vehicle inspection requirements could be clearer

- 3.60 Many of the people we spoke to told us that the manual for vehicle safety inspections, the *Vehicle Inspection Requirements Manual* (VIRM), is difficult for users to navigate and understand. The VIRM is available online as part of NZTA's online vehicle inspection portal.
- 3.61 The VIRM contains complex information, based on the legal rules for vehicle standards. It is long – if printed, it would be 1300 pages. It has a section for each part of the vehicle and sets out the reasons that would lead to a vehicle failing its inspection. The Rules it is based on are prescriptive with detailed requirements that are reflected in the VIRM. The Rules compel vehicle inspectors to focus on the specified requirement rather than the relevant safety outcome.
- 3.62 The VIRM is regularly updated, including in response to feedback from the key service delivery partners. Updates are sent to inspecting organisations. They are expected to inform their vehicle inspectors about all changes, and this is checked during site reviews.
- 3.63 NZTA has amended the VIRM to make it easier to use. It has added a search function, made it accessible on a mobile device, and added illustrations for some requirements. Updates can be accessed separately and are often explained in a newsletter that NZTA sends to vehicle inspectors and inspecting organisations

⁹ Other parts of NZTA also engage with the key service delivery partners and some of their comments to us are about their overall relationship with NZTA.

three times a year. NZTA has also made a series of videos about some parts of a warrant of fitness inspection. It has not had the resources to do this for every part of an inspection.

- 3.64 We acknowledge that the VIRM is a technical manual that needs to accurately reflect rules written in legal language and that NZTA has considered ways to help people find and understand the information. In our view, however, there is room for further improvements.
- 3.65 We heard that many vehicle inspectors still find the VIRM difficult to use or understand. We were told that some vehicle inspectors might not be used to navigating complex information online or struggle with the technical language, particularly when English might not be their preferred language.
- 3.66 Making changes to the VIRM can be difficult and time-consuming. Minor amendments such as clarifying wording are straightforward, but changing a Rule requires NZTA to work with the Ministry of Transport, who manage the policy and legislative processes.
- 3.67 We note that secondary legislation, like the Rules, usually deals with matters of detail or matters likely to require frequent alteration or updating. There could be an opportunity for NZTA to work with the Ministry of Transport about how it can make changes to the Rules more easily.
- 3.68 Requirements for inspecting organisations can also be difficult to understand. Inspecting organisations must maintain a quality management system that meets NZTA's requirements. A quality management system contains vehicle inspector records (such as training records), equipment records (such as showing that equipment has been regularly calibrated), and control sheets (to keep track of warrant and certificate of fitness check sheets and labels).
- 3.69 NZTA checks the completeness and accuracy of the quality management system in detail when it carries out a site review. Data from 2023 and 2024 shows that only 30-40% of inspecting organisations had all their records complete when they were inspected. A similar proportion had a small number of omissions or errors. This high rate of non-compliance suggests that inspecting organisations might be finding it hard to fully comply.
- 3.70 To help inspecting organisations comply, NZTA provides guidance about what needs to be included in a quality management system, as well as templates that inspecting organisations can use for each of the records required. However, the templates do not explain what sort of information they should contain or how often they should be updated. Inspecting organisations have to work this out based on the headings in each template.

- 3.71 One example is the template for an induction record, which is required for each new staff member. The template includes a table with a column headed “Induction required (list items that require induction)” with columns to show when each item is completed. The template does not explain what induction is or give examples of the type of induction activities NZTA expects to see. Completing this record correctly could be challenging for people who do not have experience in creating induction processes or keeping these types of records. More guidance could help with this.

The purpose of reappointment as a regulatory tool is unclear

- 3.72 The reappointment process is another way that NZTA can respond to non-compliance. For example, if a vehicle inspector or inspecting organisation is not meeting the expected standard of work, their appointment may not be renewed at the end of their term. Similarly, if a vehicle inspector has a persistent record of non-compliance that was not serious enough to revoke their appointment, NZTA could decide not to reappoint them when their appointment term ends.
- 3.73 Reappointments are usually made at the end of an appointment period, after a review of the vehicle inspector or inspecting organisation’s inspection history and activity levels (that is, how many inspections they are doing).
- 3.74 Vehicle inspectors are appointed for a three-year period. Inspecting organisations are now appointed for five-year periods, but some were previously appointed for different terms. Inspecting organisations appointed before 2018 have an indefinite appointment (although this can be revoked for non-compliance). Some who were appointed after 2018 were given a three-year term.
- 3.75 NZTA plans to introduce a six-year term for appointments but does not yet have a timeframe for this change.¹⁰ It has no current plans to change the length of existing appointments, including for those on indefinite appointment terms.
- 3.76 If the reappointment process is to be an effective regulatory tool, it needs to be aligned with NZTA’s overall regulatory approach for dealing with non-compliance. It would also need to ensure that vehicle inspectors and inspecting organisations are treated consistently, fairly, and according to the risk they pose.
- 3.77 Reappointments could also provide an opportunity to look at matters not covered by routine site reviews, such as whether someone continues to meet the “fit and proper person” requirements.
- 3.78 We understand that NZTA is working with the Ministry of Transport to consider changes to its reappointment process, including any legislative change that might be required.

¹⁰ This means each inspecting organisation would have gone through two routine site reviews before their appointment is reconsidered.

Recommendation 1

We recommend that the New Zealand Transport Agency Waka Kotahi ensure that it has a clear and consistent process for reappointing vehicle inspectors and inspecting organisations when their appointment term expires.

NZTA's information systems and tools do not support it to work effectively or efficiently

- 3.79 NZTA uses a range of information systems and tools to support its regulation of vehicle inspectors and inspecting organisations. However, many of these are outdated and not fit for purpose.
- 3.80 Many staff told us that the tools do not have the functionality they need. For example, staff told us they do not find the case management system for non-compliance helpful because it does not track cases effectively. It also does not provide prompts to help staff ensure that enforcement actions are applied within the required timeframes. Staff use spreadsheets and calendars to track their work instead.
- 3.81 When information is manually copied between different systems it can be inefficient and increase the risk of error.
- 3.82 The system used for scheduling site reviews is critical for identifying when site reviews are due, so they can be carried out within the required time frames. This system is an old Microsoft Access database and has limited functionality. Much information is entered manually. This can cause problems when people are searching for or filtering information if different words or spellings have been used.
- 3.83 These limitations make it difficult to extract reliable summary information, like the total number of overdue site reviews. The system does not have the functionality needed to accurately track the backlog of site reviews. This is done using spreadsheets.
- 3.84 NZTA told us that it has plans to replace the scheduling system.
- 3.85 New tools have been introduced in the last few years that allow better data analysis and dynamic reporting. A range of reports have been created that provide more insights about performance and allow staff to “drill down” for more detail. Managers can generate their own reports (for example, on the results of quality assurance reviews) to help them monitor their team’s performance. New reports are frequently added to those already available.

- 3.86 Although the reporting tool is new, it draws on older systems and tools still in use. Each new report can take time to set up because data needs to be extracted from separate data sources and combined manually into the new tool.
- 3.87 NZTA is implementing a new information technology platform for its regulatory functions, including its regulation of vehicle inspectors and inspecting organisations. NZTA told us that the platform is expected to provide tools that are more integrated, more efficient, and more fit for purpose. However, this is a major project being rolled out over several years and the Safer Vehicles team will not have access to all its functions for some time.¹¹ Until it is in place, the issues and risks associated with the current tools remain.
- 3.88 NZTA uses separate systems for vehicle inspectors to record the results of their inspections. In October 2024, NZTA started replacing the old system for warrants of fitness (WoF Online) with a new system (VIC – Vehicle Inspection and Certification). The new system has better functionality. For example, it can be used on mobile devices and can also integrate with other systems and tools inspecting organisations might use, such as electronic inspection checklists and systems for ordering parts.
- 3.89 NZTA told us the transition to VIC is progressing well, with over two thirds of eligible inspecting organisations successfully using the new system by the end of January 2025. There is work in progress to support the remaining inspecting organisations to start using VIC in the next few months.
- 3.90 Currently only warrant of fitness and pre-delivery inspections¹² can be recorded in VIC. This means that some vehicle inspectors and inspecting organisations cannot access the benefits of the improved functionality of VIC. This includes when a vehicle inspector or inspecting organisation does both warrants and certificates of fitness.
- 3.91 Although there is an intention to eventually move all types of inspection to VIC, NZTA told us that it does not have certainty about when funding will be available to achieve this.

11 The new platform is already in use for managing complaints.

12 Pre-delivery inspections are a type of vehicle inspection for new light vehicles.

4

Vehicle inspections will need to change

- 4.1 In this Part, we describe:
- the intended objectives and outcomes from regulating vehicle inspectors and inspecting organisations, including how these are measured and reported; and
 - why vehicle inspections will need to change.
- 4.2 We expected NZTA to have clearly described what it wants to achieve from its regulation of vehicle inspectors and inspecting organisations and to know how well it is doing that. In particular, we expected NZTA to:
- have clear objectives and outcomes for its regulation of vehicle inspectors and inspecting organisations;
 - regularly assess its effectiveness;
 - report its performance to the public; and
 - make improvements where needed.

Objectives and outcomes could be clearer

The links between the regulation of vehicle inspectors and inspecting organisations and broader outcomes are not clear

- 4.3 Throughout this audit, the people we spoke to were committed to improving road safety and saw the current warrant and certificate of fitness system as an important contributor to that. We agree there is a link between ensuring vehicle safety and making our roads safer, although we did not see this link clearly described in any of NZTA's or the Ministry of Transport's strategic documents or other publicly available information.
- 4.4 In addition, we did not see clear regulatory objectives for the vehicle inspection system linked to measurable impacts or well-defined compliance outcomes, measures, or targets (such as an increase in the level of compliance, identified through site reviews).
- 4.5 Understanding the extent to which warrant and certificate of fitness inspections contribute to road safety is not easy. Data indicates that vehicle faults contribute to less than 4% of serious crashes in New Zealand. At the same time, vehicle age, design, and safety features can have a greater influence on the severity of crashes.
- 4.6 Without a good understanding of the relationship between vehicle inspections and road safety, it is difficult for NZTA to make informed policy and investment choices about where to focus its efforts (for example, whether investing in more site reviews will make a substantial contribution to improved road safety outcomes or whether it is best to focus on other parts of the system, like road design), or for NZTA to understand how its performance affects road safety outcomes.

- 4.7 Nevertheless, NZTA is accountable to the public and needs to be able to explain why vehicle inspections are needed, particularly to vehicle owners who have to pay for inspections and can be penalised if they do not.

Recommendation 2

We recommend that the New Zealand Transport Agency Waka Kotahi more clearly describe how vehicle inspections, and its regulation of vehicle inspectors and inspecting organisations, contribute to vehicle safety and the objectives and outcomes it wants to achieve.

Current performance measures focus on activity, not impact

- 4.8 NZTA has measures to track and report on its performance in regulating vehicle inspectors and inspecting organisations (see Figure 5). In our view, these measures do not give a sufficient overview of performance.

Figure 5
How NZTA measures and reports on its regulatory performance

Performance measure	Where is it reported?
Number of compliance activities completed	Annual report (as an annual figure) Safer Vehicles monthly report Road Safety Regulation monthly report
Percentage of non-compliance found during site reviews	Road Safety Regulation monthly report
Percentage breakdown of responses to non-compliance	Road Safety Regulation monthly report
Proportion of non-compliance actions for vehicle inspecting organisations, vehicle certifiers, and vehicle inspectors that are progressed within acceptable time frames	Annual report (as an annual figure) Safer Vehicles monthly report (year to date and monthly) Road Safety Regulation monthly report (monthly result)
Number of non-compliance cases completed	Safer Vehicles monthly report Road Safety Regulation monthly report (shows new cases, active cases, and closed cases by month)

- 4.9 The Safer Vehicles team tracks its own performance using various indicators. Monthly reporting for the team focuses on activity, such as the number of site reviews and the number of non-compliance cases completed.
- 4.10 The monthly report includes two indicators that are part of NZTA's overall performance framework. The first of these is the indicator included in NZTA's annual report about the proportion of non-compliance actions progressed within acceptable time frames. This measure provides accountability for NZTA's timeliness in responding to non-compliance, which was one of the major issues contributing to the regulatory failure.
- 4.11 The other indicator is the number of compliance activities completed in the year to date.¹³ In 2023/24, NZTA completed over 5200 such reviews, significantly exceeding its annual target of 3500. We understand this target is based on the number of reviews needed each year to ensure that all vehicle inspectors and inspecting organisations are reviewed at least three-yearly. The total number of reviews completed includes overdue reviews.
- 4.12 Although this indicator tells us that NZTA is meeting its activity target, there are no indicators that tell us what impact this activity is having on vehicle safety. As a result, it is more difficult for NZTA to determine whether it is over- or under-investing in this.
- 4.13 A separate monthly report to NZTA's leadership, which covers all aspects of road safety regulation, includes additional performance information about the Safer Vehicles team. As well as a monthly breakdown of performance for the two indicators described above, this report shows a percentage breakdown of the levels of compliance and non-compliance found during site reviews for vehicle inspectors and inspecting organisations. However, there is no target for the overall level of compliance, or the rate of improvement, so it is difficult to determine whether a result represents good or poor performance.
- 4.14 As discussed in Part 3, other reporting about the regulation of vehicle inspectors and inspecting organisations is also available. Examples we saw included the results of quality assurance reviews and reporting of progress made on the backlog of site reviews.
- 4.15 Current reporting has value as a management tool because it shows whether the Safer Vehicles team is getting through the volume of work it is required to complete for the year and whether its work meets time and quality expectations. Managers need to know when expectations are not being met so they can then intervene as needed.

- 4.16 What the reporting does not show is how effectively NZTA's regulation of vehicle inspectors and inspecting organisations contributes to positive road safety outcomes.

Improvements could be more targeted if there was better information

- 4.17 We were told throughout our audit that NZTA has significantly improved its regulation of vehicle inspectors and inspecting organisations since the regulatory failure and that the basics of a good regulatory system are now in place.
- 4.18 We saw that NZTA was committed to continue making improvements to increase efficiency and enhance regulatory practices. Examples of recent improvements included:
- trialling a digital version of site review documents, to save time for Certification Officers; and
 - creating a new non-technical role to carry out assessments of quality management systems, so that Certification Officers have more time to assess vehicle inspectors (see paragraph 3.22).
- 4.19 However, improvements could make a greater difference if NZTA had a clearer understanding of the relative effectiveness of the range of interventions available.
- 4.20 Better information could also support more efficient ways of working. For example, NZTA uses some analysis to identify risk (see paragraph 3.29), but with deeper insights about which vehicle inspectors and inspecting organisations are more at risk of non-compliance, NZTA could take a more targeted compliance approach and focus its resources more effectively. This could also reduce the burden on more compliant vehicle inspectors and inspecting organisations.
- 4.21 Another potential improvement could be if a pattern of non-compliance points to an aspect of vehicle inspection where greater education or focus is needed, this could be addressed centrally rather than on a case-by-case basis.
- 4.22 In our view, further development of data and analytics capability would support NZTA to have the information needed to make these types of improvements, including deeper insights about performance to identify where its work could be more efficient.

Recommendation 3

We recommend that the New Zealand Transport Agency Waka Kotahi further develop its data and analytics capability to:

- understand how to better prioritise its resources for regulating vehicle inspectors and inspecting organisations;
 - provide more in-depth insights to inform ongoing improvements; and
 - measure the impact of its work.
-

The public could be better informed about performance

- 4.23 There are opportunities for NZTA to be more accountable to the public for its performance and to give the public more confidence in the integrity of the system for issuing warrants and certificates of fitness.
- 4.24 NZTA provides some information about its regulation of vehicle inspectors and inspecting organisations on its website, as well as the indicators in its annual report (see Figure 5). More information, targeted to different audiences (for example, the public or the vehicle inspection industry), would provide better transparency and accountability for the quality and effectiveness of its regulatory work.
- 4.25 Information currently available on NZTA's website includes the VIRM and the appointment requirements. NZTA's newsletter for vehicle inspectors can be accessed through the vehicle inspection portal. NZTA also publishes a general regulatory newsletter, but this has limited information about vehicle inspectors and inspecting organisations. This newsletter sometimes covers the prosecution of a vehicle inspector but does not include information about how well the monitoring function overall is performing.
- 4.26 NZTA has published the inquiry and review that were completed after the regulatory failure, as well as the follow-up review in 2021 (see paragraph 2.17). This provides some transparency, but could be improved by the addition of more recent updates about the progress it is making with previous recommendations. It is important that the public see NZTA learning from its past and adjusting its approach based on these reviews and what it finds through its regulatory activities.
- 4.27 We encourage NZTA to consider what information the public would find useful and how best to communicate it. This might vary for different groups. For example, the vehicle inspection industry will have different information needs to vehicle owners.

Recommendation 4

We recommend that the New Zealand Transport Agency Waka Kotahi regularly publish information about the impact of its regulation of vehicle inspectors and inspecting organisations and about the progress it has made with recommendations from internal and external reviews.

The vehicle inspections system will need to adapt as new technologies emerge

- 4.28 Improving the current approach for regulating vehicle inspectors and inspecting organisations is important but, in our view, NZTA needs to consider what long-term changes are also needed.
- 4.29 Warrants and certificates of fitness are currently issued based on a physical inspection of a vehicle's mechanical safety features and systems. Some vehicles now have safety features, including automated features, that use more advanced technology (for example, blind spot monitoring and autonomous emergency braking). These cannot be checked with a physical inspection and are not looked at when a warrant or certificate of fitness is issued.
- 4.30 Some vehicles need an exemption because they do not meet the prescriptive requirements in the Rules. For example, a vehicle previously needed an exemption if it used cameras instead of mirrors for side and rear views. Cameras allow a driver see to the side or behind, but the Rule required mirrors. NZTA had to make case-by-case exemptions for these vehicles to get a warrant or certificate of fitness until the Rule was updated.
- 4.31 Each example like this requires its own exemption, and we were told there are currently hundreds of exemptions in place. This is not efficient and risks compliance being overlooked or misunderstood because of the resulting complexity.
- 4.32 The Ministry of Transport's August 2022 long-term insights briefing about automated vehicles noted that the scale and nature of future advances, and how they will be received by consumers, was uncertain.¹⁴ There could be safety benefits from more automation, but the risks were not yet well understood.
- 4.33 Some advanced safety features use software that can be updated remotely. The functioning and security of these systems, and the need to keep software updated, are examples of risks that need to be considered.
- 4.34 The insights briefing recognised that New Zealand does not currently have systems to regulate automated vehicles and that the standards for vehicle

¹⁴ Ministry of Transport (2022), *He whakamahuki i matapaeroa: Long-term Insights Briefing*, at transport.govt.nz.

inspections will need to be overhauled to include an emphasis on vehicle software and sensor systems. At a minimum, regulation will need to be fit for purpose for automated vehicles and those with non-observable safety features.

- 4.35 Although it is likely that physical inspection of vehicles will continue, different skill sets will be needed to test electronic and software-driven systems. This will affect both the vehicle inspection industry and its regulators.
- 4.36 We understand that policy work to reform the vehicle regulatory system, including vehicle inspections, is expected to start in 2025.
- 4.37 As this work progresses, we encourage organisations to consider how best to address the challenges identified in our audit related to the complexity and prescription of the Rules. This could support consistency and make it easier for vehicle inspectors and inspecting organisations to understand and comply with requirements.

Recommendation 5

We recommend that the New Zealand Transport Agency Waka Kotahi and the Ministry of Transport progress work to ensure that vehicle inspection requirements are:

- easier to access and understand;
 - easier to change; and
 - fit for purpose for all vehicles, including those with modern safety systems.
-

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