Economic viability of managing cars of ministries

Is the use of public funds in relation to vehicles economical, transparent and controllable?

Summary of audit results

What did we audit and why?

In the annual audits of financial statements and the regularity of transactions, the National Audit Office has repeatedly drawn attention to the problems associated with renting vehicles and advised the Ministry of Finance to solve them, but this has not been done so far. In autumn 2015 the Ministry of Finance formed a work group for dealing with the issues related to vehicles for public authorities and they take the recommendations made in this report into account.

The National Audit Office audited whether state agencies (ministries and agencies in their areas of government) manage their vehicles prudently and in compliance with the requirements set forth in the State Assets Act, the State Budget Act and the Public Procurement Act. The National Audit Office therefore checked how state agencies plan the acquisition of vehicles, find financing methods, organise public procurement and use vehicles within the legal framework established by the state.

The total number of vehicles at the disposal of state agencies from 1 January 2013 to 30 June 2015 was 11,667, 42% of which were passenger cars and jeeps, and 41% special purpose vehicles. In addition to state supervision, national defence and law enforcement activities, vehicles are also used for the official trips of higher officials and the official trips of civil servants.

The acquisition and use of vehicles by state agencies is regulated with the State Assets Act, the State Budget Act and the Public Procurement Act, and the regulations of the Government of the Republic that were established about 20 years ago[1].

What did we find and conclude on the basis of the audit?

The National Audit Office is of the opinion that reviewing the principles of preparing the state budget, streamlining the regulation of the acquisition and use of vehicles, and creating a common practice would allow the state to make the management of vehicles more economical and use the property more prudently. These activities also help reduce errors when organising public procurements and complying with the State Budget Act.

Leaving aside the vehicles at the disposal of higher-ranking civil servants, the National Audit Office is of the opinion that number of vehicles used by state agencies can be optimised by improving the purposefulness of their use and using the vehicles more intensively.

- Harmonising the technical requirements of the vehicles to be acquired, organising joint procurement and analysing which vehicles must be replaced with new ones after 3-5 years and which can reasonably be used over a longer period of time will allow state agencies to save money when vehicles are acquired.
- It was impossible for the National Audit Office to retroactively assess the funding methods that state agencies had considered upon the acquisition of vehicles, and how the relevant

[1] Regulation No. 95 of the Government of the Republic of 7 May 1997 “Streamlining the Use of Official Cars of Government Agencies” and Regulation No. 142 of 22 July 1997 “Organisation of Official Travel and Consumption Rates in Government Agencies”.

decisions were made as the auditees did not have the data they had used in a format that could be reproduced. The Ministry of Finance has also not assessed centrally whether buying vehicles would be more practical than leasing them, or vice versa.

- Leaving aside the high-ranked civil servants who are allowed to use their official cars for personal purpose due to their functions, it became evident that other employees also use official vehicles for private purposes, which does not comply with the principle of the State Assets Act, i.e. that state assets must be administered in accordance with the aims of its administration, expediently, sustainably and prudently. Pursuant to taxation acts, the use of official vehicles for private purposes is subject to the fringe benefit tax, which is added to the vehicle management expenses.

- Vehicles are used less than planned at the time they were leased or acquired, which means that the number of vehicles in state agencies can be optimised and money saved. It would also be possible to cross-use vehicles between state agencies in the same area of government, thereby cutting the total number of vehicles.

- The personal vehicles of civil servants are used for official purposes in order to manage vehicles efficiently, and such use of them is compensated. However, the public authority must pay the fringe benefit tax on the compensation if the tax-free limit is exceeded. The compensation paid for the use of the personal car for official purposes as a fixed amount every month can be regarded as additional income of the civil servant, which is why paying it out as salary should be considered.

- State agencies have entered into capital lease contracts and assumed liabilities for the state by doing so. The majority of capital lease contracts have not been recognised as liabilities in accounting, which means that these liabilities have also not been considered in financial statistics.

What did we recommend as a result of the audit?

The National Audit Office advises the Ministry of Finance as the authority responsible for efficient public administration and the state's financial and budgetary policy to do the following:

- analyse the need for and possibility of concentrating all of the activities related to the management and cross-use of vehicles in a central unit. For example, the authorities in the same area of government or the ministries that share a building could use the same vehicles. This would make it possible to reduce the number of vehicles;

- decide which method of funding should be used for the acquisition of vehicles and in which cases, and develop specific principles for the implementation of different funding methods;

- establish the principles for acquisition and use of vehicles in state agencies and standard forms of lease contracts whilst also updating the Government regulations of 1997;

- promote the acquisition of vehicles centrally by concentrating the necessary competency in the State Shared Service Centre and providing the service to areas of government.

The National Audit Office advises the Ministry of Finance to cooperate with other ministries and analyse the number of vehicles required for the performance of functions in the area of government, and thereby consider optimising the number of vehicles.

The Ministry of Finance agreed with most of the recommendations made by the National Audit Office.