Regularity of official travel expenses in Rae Municipality

Have the members of Rae Municipality Government used cars according to the established rules?

What did we audit?

The National Audit Office audited the use of cars in Rae Municipality from November 2013 to December 2015. In the course of the audit, the National Audit Office analysed how compensation for official travel had been determined and whether the municipality government had adhered to the requirements prescribed by law, the resolutions of the Rae Municipality Government and the procedures it has established itself.

Vehicles belonging to or in the possession of Rae Municipality as well as personal cars were used for official trips in Rae Municipality during the audited period. In addition to this, Rae Municipality Government used the following scheme during a part of the audited period: the municipality government rented the personal cars of the mayor and deputy mayor of the municipality from them and then granted use of the cars to them.

Why is this important to taxpayers?

Taxpayers' money is used to pay the compensation meant for the official trips of local government leaders and officials, which is why the taxpayers are interested to see that the money is used economically, reasonably, honestly and transparently. The use of tax money for the activities of public authorities must be justified, which means that it may only be used for the performance of public functions, not in private interests. Using taxpayers' money in one's personal interests in any way whatsoever must be condemned in society.

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

The National Audit Office is of the opinion that the expenses of official trips and of the use of personal cars for official trips were not compensated according to law in Rae Municipality during the audited period. Whilst the officials predominantly comply with the rules established in the municipality government for official trips, the same cannot be said about the members of the municipality government (the mayor and three deputy mayors) themselves. **Two of them – the mayor and one of the deputy mayors – both rented their personal cars to Rae Municipality without the resolution of the Municipality Council and then started using them free of charge. Irrespective of using their personal cars for official trips, they found it to be justified that the municipality also pay for their fuel.**

The main observations made by the National Audit Office are as follows.

- Although Rae Municipality Council had stipulated with its resolution that the mayor and the deputy mayors are paid compensation for work-related expenses upon the use of their personal car to the extent of 450 euros, **or** they may use up to 400 litres of fuel per month when using the municipality's cars for official trips, the mayor and one of the deputy mayors had decided to use both of these during the audited period.

- The mayor and one of the deputy mayors of Rae Municipality had decided to rent their personal cars to Rae Municipality without the council's permission from November 2013 to June 2014. The mayor and the deputy mayor entered into car rental agreements, which meant that the mayor breached the procedural restriction set forth in the Anti-corruption Act. According to the agreement, both of them had to be paid rent that was considerably higher than the official trip-related compensation limit of 450 euros per month established by the Council for the municipality leaders. In addition to this, Rae Municipality paid for their fuel whereby the limit permitted by the council was not exceeded. The rent agreements were terminated in the beginning July 2014.

- In its resolution, the council stipulated that only work-related travel expenses will be compensated to the mayor and the deputy mayors, but did not determine how official vehicles should be kept and used, and how to distinguish work-related use from use for private purposes. The members of the municipality government who used the government's cars or personal cars were not required to keep a travel record, even though this is the most common solution. The members of the municipality government also failed with the general procedure of the municipality government for keeping and using official cars. They parked the cars at their places of residence, drove from home to work and back, and used the municipality's fuel card even when on holiday.

- Using the cards without keeping a travel record meant that Rae Municipality faced the obligation to pay fringe benefit tax in the amount of 30,192 euros in the audited period. After the procedure changed in September 2014 and the personal car compensation paid to the mayor and one of the deputy mayors had to be recognised as additional remuneration, the payments also started to have an impact on the funds saved in the pension pillars of these persons.

- By the time the audit was carried out, the council had analysed the situation and decided to end the use of personal cars for official trips as of the start of 2016 in order to reduce the municipality's tax burden. The audit committee of the municipality council did not include inspecting the use of the municipality government's vehicles during the audited period in its work plan, even though some members of the council had pointed out that this was necessary.

The experience gained by the National Audit Office from its previous audits allows it to assume that a similar attitude, where people take advantage of the benefits associated with their positions without considering whether they are justified and necessary for the performance of their functions, is not only present in Rae Municipality, but can also be found in many other local governments and public authorities. The National Audit Office drew attention to the problems associated with the use of vehicles in the areas of government of ministries also in its report of 2016[1].

What did we recommend as a result of the audit?

Recommendations of the National Audit Office to Rae Municipality Council:

- analyse the organisation of the official trips of municipality government members and make sure that the present solution is optimal, transparent and economical;

- check whether the taxpayer suffered damage as a result of the circumstances discussed in the audit, and recover this damage.

Recommendations of the National Audit Office to Rae Municipality Government:

- establish new, updated requirements for keeping and using the municipality's cars;

- establish requirements for the use of fuel cards.

Response of Rae Municipality: Rae Municipality Government and Rae Municipality Council sent their responses to the audit report and enclosed the opinion of the audit committee of Rae Municipality Council and the dissenting opinion of the two fractions of Rae Municipality Council.

Rae Municipality Council is of the opinion that the main problems described in the report have been eliminated: the official travel expenses of municipality government members were analysed and, as a

[1] Economic viability of managing cars of ministries. Report of the National Audit Office, 2016.

result, the use of personal cars for official trips has ended and the procedure for paying them compensation for travel expenses has been specified. The council found that the situation described in the audit has not caused damage to the taxpayer. The opinion of the audit committee of the council and its two fractions differed from the opinion of the council.

Rae Municipality Government agreed to comply with the recommendations made by the National Audit Office.