LEGISLATIVE ASSEMBLY FOR THE AUSTRALIAN CAPITAL TERRITORY

REVIEW OF AUDITOR-GENERAL'S REPORT NUMBER 1, 1995

Government Passenger Cars

STANDING COMMITTEE ON PUBLIC ACCOUNTS
Report Number 9

December 1995

RESOLUTION OF APPOINTMENT

The Standing Committee on Public Accounts was appointed by the Legislative Assembly on 9 March 1995 with the following terms of reference:

(a) examine:

 (i) the accounts of the receipts and expenditure of the Australian Capital Territory;

 (ii) the financial affairs of authorities of the Australian Capital Territory; and

 (iii) all reports of the Auditor-General which have been laid before the Assembly;

(b) report to the Assembly, with such comments as it thinks fit, any items or matters in those accounts, statements and reports, or any circumstances connected with them, to which the Committee is of the opinion that the attention of the Assembly should be directed;

(c) inquire into any question in connection with the public accounts which is referred to it by the Assembly and to report to the Assembly on that question; and

(d) inquire into and report on the implementation of the *Public Sector Management Act 1994* with particular reference to:

 (i) the public interest; and

 (ii) any other related matter.

MEMBERSHIP OF THE COMMITTEE

Ms Rosemary Follett MLA (Committee Chair)

Mr Trevor Kaine MLA (Deputy Committee Chair)

Ms Lucy Horodny MLA

Secretary: Bill Symington

1. INTRODUCTION

Background

1.1. Auditor-General's Report No 1, 1995 was presented to the Assembly on 21 June 1995. The objective of the audit was to provide an independent opinion on the efficiency of ACT Government passenger car use, and the effectiveness of processes which are used for the purchasing and disposal of passenger cars. The audit report also made findings in regard to legal liability for loss or damage to ACTEW cars being used for private purposes, fringe benefits tax (FBT) and the reconciliation of ACT Fleet fuel issues. The audit was confined to these matters and did not encompass extraneous issues such as the environmental effects of an excessive number of Government cars.

Approach to the Inquiry

1.2. The Committee sought comment from the Chief Minister and all other Ministers, and their responses form the basis of the committee's conclusions.

2. AUDIT SCOPE AND FINDINGS

2.1. While the ACT Government owns passenger cars, light and heavy commercial vehicles and specialist vehicles such as landrovers and ambulances, the audit focussed upon passenger cars as the Auditor considered the greatest risk of inefficient management or diseconomies were in this area. Operations were reviewed for the 1994 calendar year with all departments and authorities included in the review. Official usage of cars provided to Senior Executive Service (SES) officers was also included.[1]

2.2. At December 1994 the ACT Government fleet included 930 passenger cars and 146 SES cars. The main users of passenger cars were Department of Health - 273 (25%), ACTEW - 166 (16%), Department of Urban Services - 140 (13%) and [the former] Department of Environment, Land and Planning -132 (12%). With the exception of ACTEW, which manages its own fleet, Government vehicles are managed by ACT Fleet.

2.3. With regard to the efficiency of passenger car use, the audit findings included that:

- many cars are unused during working days
- while SES cars are required to be available for official use by other agency staff, they are rarely used in this way
- average business travel per car is 13,050km a year
- many cars travel less than 20,000km for combined business and private use
- most agencies have not analysed the efficiency of car use

[1] Audit report, p17

- of the 87 Department of Health cars which an independent review in 1993 estimated could be reduced in number by mid 1995, reductions of only 31 cars had occured

- there are no effective performance indicators for the use of cars

- alternative transport - for example, taxis, are generally not considered by agencies

- about 75% of non-SES cars are home garaged and agencies do not consider running costs in determining home garaging

- secure parking options are not adequately examined

- many cars which are home garaged for operational needs outside normal working hours have little or no actual use for these purposes

- FBT liability of some agencies has been overstated

- Department of Health is paying Totalcare Ltd some $126,000 more for servicing than would be the case with ACT Fleet servicing.

2.4. The audit estimated that the total number of passenger cars could be reduced by at least 200 cars with an annual saving of about $1.0m and that potential savings of some $1.4m a year were achievable if the findings in relation to excess cars, home garaging, FBT and the Department of Health car servicing arrangements are addressed.[2]

2.5. The audit noted that in certain agencies it has become a de facto benefit for senior officers to home garage cars, and the audit further noted that these cars , in particular, were those where there was little or no operational justification for home garaging, or from the point of view of vehicle safety could not be garaged by officers living closer to the agency.[3]

2.6. It was also found that cars are often viewed as personal possessions by many SES and senior officers, rather than being freely available for business use.[4]

2.7. The audit found that the purchase of cars, was effective and efficient and that the 40,000km benchmark for optimal disposal was reasonable and in line with the practice of other Governments. However, the audit noted that ACT Fleet does not have formal approval processes for setting reserve prices for cars sold at auction, that there is a lack of formal delegation to authorise officers to approve the sale of cars

[2] ibid pp6,7
[3] ibid, pp7,8
[4] ibid, p8

below the reserve price, and that documentation of ACTEW car purchasing policies is not current. The audit further found that:

- there is no meaningful basis for determining officer contributions for the use of home garaged cars and inconsistencies as to which officers are required to pay
- ACTEW officers were offered the use of ACTEW cars without any bargaining for productivity improvements
- the legal liability of ACTEW for loss or damage to ACTEW cars used by officers for private purposes is unclear
- "dry" hire leasing would provide incentives for the more efficient use of fuel
- fuel usage is not effectively monitored
- ACT Fleet does not have adequate security at all fuel sites.[5]

2.8. The audit recommendations included that:

(i) all agencies review the efficiency of car usage to determine reductions in car numbers

(ii) Department of Health implement the car reduction program recommended in 1993

(iii) agencies use SES cars more efficiently for business purposes

(iv) justification for acquisition and replacement of cars be based on business kms travelled rather than combined business and private travel

(v) performance indicators be developed for car use

(vi) consideration be given to short term hire for seasonal needs

(vii) agencies consider alternatives to the use of Government cars

(viii) there be guidelines for home garaging, including matters of economy

(ix) all agencies review the validity of home garaging for operational reasons

(x) senior officers be reminded that they have no priority to home garaging

(xi) agencies further review the cost/benefit of alternatives to home garaging

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[5] ibid, pp8,9

(xii) a consistent policy be developed on officer contributions for home garaging

(xiii) log books be maintained for all non SES cars and for SES cars used for business

(xiv) "dry" hire be considered

(xv) ACT Fleet senior management should formally approve all reserve prices prior to sale of cars at auction and develop delegations for approving sale below reserve

(xvi) ACTEW document its policies for replacement, purchasing and disposal, of cars

(xvii) ACTEW clarify its legal liability for loss or damage to cars used for private purposes

(xiii) all agencies adopt procedures to minimise FBT

(xiv) ACT Fleet reconcile fuel issues with tank levels and improve security.[6]

3. COMMITTEE APPROACH

3.1. The committee sought comment on the audit report from all Ministers.

3.2. The Chief Minister advised that the Government is very concerned by the audit findings and that it is committed to improving the level of efficiency in Government car use. The Chief Minister advised that the Government is pursuing the issues raised by the audit and has taken steps to implement a number of measures already. The Chief Minister further advised that agencies have been asked to review the number of vehicles in use and report to the Commissioner for Public Administration on possible reductions by the end of July 1995.[7]

3.3. The Minister for Urban Services, Industrial relations and Business, Employment and Tourism advised support for the general thrust of the audit report, and noted that the Department of Urban Services is performing reasonably well although there is room for improvement and tightening up of criteria for using and garaging cars. The Minister advised that as part of its relocation to Macarthur House, the Department is reviewing all vehicles managed throughout the portfolio including options for car pooling and short-term hire and home garaging; and that the Department will trial new hiring arrangements with ACT Fleet with a view to introducing these across agencies to provide flexibility and to meet casual and short-term needs.[8]

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[6] ibid, pp10-12
[7] Chief Minister letter to committee dated 20 July 1995
[8] Minister for Urban Services, et al, letter to committee dated 20 September 1995

3.4. The Minister advised that the Department of Urban Services had some concerns with regard to assumptions used by the audit and conclusions reached. The Department was concerned that the audit had an input focus and that the role of the vehicle fleet in promoting more productive outcomes and more efficient resource utilisation had not been fully considered. Nevertheless, the department strongly reaffirmed that cars should only be provided for operational or security purposes, and that misuse of cars would be pursued if evidence to that effect was available.[9]

3.5. The Department provided additional comment on aspects of the audit, and the committee draws attention to certain of these as follows:[10]

(a) With regard to distances travelled by cars, the Department acknowledged there is scope for improved arrangements for short-term hire, a common booking system for the agency and pooling arrangements. However, the Department noted that its vehicles averaged 20,930km a year compared with the benchmark 20,000km with 16,630km or 79% being business related.

(b) ACT Fleet is currently developing a series of performance indicators and management reports to enable more accurate analysis of car use.

(c) the audit comments ignored the capacity of multiple use of cars, that is, the number of individuals using the car and the number of stops/visits per trip. As the distance travelled increases so does the cost of alternatives compared to leasing arrangements, and with alternatives there are additional administrative costs, increased potential for fraud and the cost of unproductive time.

(d) home garaging is more an indicator of the unavailability of secure facilities for overnight parking, and the Department restricts home garaging where there is no secure parking at the work location or where there is a justifiable operational purpose in home garaging.

(e) there is no specific ACT Government policy for calculating FBT but steps have been taken to minimise this liability.

(f) the Department is liaising with Department of Health and Chief Minister's Department to address the servicing of Health cars by Totalcare Ltd.

(g) ACT Fleet has implemented formal procedures for setting reserve prices for sales at auction, and has implemented authorisation for officers to negotiate sales where prices do not reach the reserve.

(h) home garaging does not allow officers to use cars for other than journeys to and from work, but officer contributions will be considered as part of an ACT-wide review of home garaging.

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[9] ibid
[10] ibid

(i) approved hire rates for 1995-96 provide for differential rates to reflect fuel usage and maintenance. ACT Fleet is to develop a fair wear and tear policy to clearly attribute to hirers responsibility for treatment of cars. This is intended to provide incentives to control usage and care of cars.

(j) an instruction has gone to all agencies advising of the responsibility to record odometer readings.

(k) ACT Fleet has introduced procedures to ensure that all fuel issues are reconciled with tank levels and that all Fleet fuel tanks are fully secured.

3.6. The Attorney-General and Minister for the Environment, Land and Planning, Police, Emergency Services, Arts and Heritage and Consumer Affairs, advised that agencies within the Attorney-General's Department are widely disaggregated and it is difficult to achieve further efficiencies through car pooling and other economies of scale. Nevertheless, the Minister advised that the agency was aware of the audit recommendations and would pursue these. The Minister noted that the Australian Federal Police largely complies with the audit recommendations.[11]

3.7. The Minister for Education and Training, Housing and Family Services, Sport and Recreation and Children's and Youth Services, advised that the department of Education and Training is reviewing the use of all cars to determine the level of efficiency and to identify possible savings. The review will also examine operational efficiency and costs associated with home garaging.[12]

3.8. In the capacity of Minister for Housing and Family Services, the Minister also advised that ACT Housing has been acting on many of the audit findings, but that it had some concerns similar to those referred to above in relation to the Department of Urban Services in relation to the audit methodology on inputs versus outputs. The Minister provided additional comment by the Department as follows:[13]

(a) to maximise business kilometres, ACT Housing is rotating regional area cars through the central fleet. Low regional travel is due to the fact that cars seldom travel outside the region.

(b) taxis and reimbursable officer use of private cars is used by operational units to meet short-term needs.

(c) home garaging is reviewed annually; home garaging from the Woden offices was found to be marginally more economical than secure parking.

(d) calculations of FBT have been rectified to minimise costs.

3.9. The committee notes the responses by Ministers and additional comments provided by certain agencies.

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[11] Attorney-General letters to the committee dated 27 July 1995 and 15 August 1995
[12] Minister for Education and Training, letter to committee dated 25 July 1995
[13] Minister for Housing and Family Services, letter to committee dated 4 September 1995

4. COMMITTEE COMMENT

4.1. The committee notes the responses by Ministers and additional comments provided by certain agencies. The thrust of those responses appears to be that work has been done, is underway, or is intended to be undertaken by agencies to implement the changes recommended by the audit report.

4.2. The committee is not satisfied with the pace or intensity of reform in relation to the numbers of cars required by the Government. Accordingly, the committee will ask that the Government provide within six months a comprehensive report on the extent to which the audit recommendations have been adopted and put into effect by all agencies.

4.3. However, the committee is concerned that good intentions by agencies may not be realised in their totality. Anecdotal evidence indicates that Government passenger cars continue to be regarded as a de facto benefit for some officers. The benefit for these officers is that by home garaging the cars in circumstances where there appears to be inadequate secure parking, the officers do not face the considerable costs involved in daily transport to and from their places of work by bus or private car. Where these officers would normally travel to work by private car they also are saved substantial parking fees.

4.4. The committee considers that there may be scope for further savings through pooling the garaging of Government cars in central locations. Individual agencies are responsible for the costs of cars under lease from ACT Fleet and there is limited incentive for them to consider a pooling arrangement with other agencies which could involve the payment of security personnel. But the costs to the ACT Government overall, and to the community, could be significantly reduced through pooling the garaging and security arrangements for their cars, and the committee would wish to see the Government examine the economies involved.

ACTEW Cars

4.5. A further matter of concern to the committee is the private use of ACTEW cars. The audit drew attention to the fact that many ACTEW cars have home garaging approvals for operational purposes have little or no use for those purposes, and that the use of ACTEW cars for private purposes was offered to senior officers without any bargained productivity improvements.[14]

4.6. On 17 February 1994 the ACTEW Board approved the offer to senior officers of private use of an ACTEW car for up to 18,000km within the ACT and local NSW. The offer was extended to existing cars which were being home garaged by the officers. Those who accepted the offer were required to contribute $2,750 a year for a four cylinder car and $3,000 for a six cylinder car. The contribution was to cover the additional costs incurred by ACTEW due to additional private usage. Not surprisingly, the offer was widely taken up.[15]

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[14] Audit report, p51
[15] ibid, p52

4.7. The audit report noted that the benefits obtained by officers significantly exceed the amount of their contributions. The comparison was made with the NSW Public Sector SES officers who sustain a "salary sacrifice" of some $9,500 a year for a standard six cylinder car provided as part of their salary packages and based upon full private use and 15,000km annually. The audit further noted that the offer to ACTEW senior officers was apparently made outside of enterprise bargaining without the possible trade-off of productivity improvements by those officers.[16]

4.8. The committee notes that the responsible Minister did not comment to the committee on any of the matters raised by the audit in respect of ACTEW.

5. RECOMMENDATIONS

5.1. The committee recommends that the Government:

(1) actively pursue a further reduction in the numbers of Government owned and leased cars;

(2) provide a comprehensive report to the Assembly within six months on the extent to which the recommendations contained in Auditor-General's Report No 1, 1995 have been adopted and put into effect by all agencies, and report on a quarterly basis thereafter on those recommendations not implemented, or why the recommendations are not to be implemented;

(3) examine the feasibility of pooling agency car parking at appropriate centres within the ACT, if necessary under the supervision of security personnel, and report to the Assembly within six months on the cost effectiveness to the overall ACT budget of such pooling arrangements;

(4) ensure that all buildings owned or leased in the future by the ACT Government for Government purposes have adequate on site secure car parking to meet existing and identified future needs;

(5) review the circumstances surrounding the offer to ACTEW senior officers of the private use of ACTEW cars with particular reference to productivity improvements agreed with senior ACTEW officers in return for the benefit provided, with a view that the officer contribution should reflect the benefit gained from this arrangement, and report to the Assembly on the outcome of the review;

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[16] ibid,pp52,53

(6) require ACTEW to seek urgent legal advice on its liability for loss or damage to ACTEW cars used by officers for private purposes, and to take urgent action to ensure the public interest is protected in this matter, and

(7) require the Office of Financial Management to prepare guidelines for Agencies on the appropriate methods for calculating FBT and mechanisms for minimising the liability arising for the ACT.

Rosemary Follett

Rosemary Follett MLA
Chair

LEGISLATIVE ASSEMBLY FOR THE AUSTRALIAN CAPITAL TERRITORY

STANDING COMMITTEE ON PUBLIC ACCOUNTS

Report Number 10

REVIEW OF AUDITOR-GENERAL'S REPORT NO 5, 1995 - ANNUAL MANAGEMENT REPORT FOR THE YEAR ENDED 30 JUNE 1995

The resolution of appointment of the Public Accounts Committee requires inter alia that it examine all reports of the Auditor-General which have been laid before the Assembly.

Auditor-General's Report No 5, 1995 was presented to the Assembly on 20 September 1995 and, as a consequence, has come before the committee for consideration.

While there is no legislative requirement for the Auditor-General to provide an annual report, the Auditor-General advises that the report has been prepared in the interests of accountability to the Assembly and the electorate. The report has therefore been prepared in a format to comply with the Chief Minister's Directions relating to Annual Management Reports.

The report is a record of Audit Office activities for the year 1994/95 and, as required by the Audit Act 1989, it includes a report on the efficiency audits carried out by the Office during the year.

The report summarises 10 audit reports presented during the year. This committee and its predecessor in the last Assembly have reviewed and reported to the Assembly on all of these reports.

The committee also notes that Auditor-General's Report No 5,1995 was available to, and was considered by, the select Committee on the Estimates 1995-96 and Budget Review during its consideration of the Appropriation Bill 1995-96.

Accordingly the committee notes Auditor-General's Report No 5, 1995.

Rosemary Follett

Rosemary Follett MLA
Chair
December 1995