Public audit report

ARE THERE CONDITIONS FOR THE EFFICIENT USE OF PUBLIC FUNDS ALLOCATED FOR MAINTAINING AND UPGRADING STREETS AND ROADS OF LOCAL SIGNIFICANCE?

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EXECUTIVE SUMMARY

Given the intensity, social and economic implications of road traffic, roads in Lithuania, the total length of which is 83 thousand km, are divided into roads of national significance (about 21 thousand km) and roads of local significance (about 62 thousand km). The latter roads belong to different economic entities, mainly municipalities.

Irrespective of their departmental affiliation, all roads of the country form a single network, so people's possibilities to travel, engage in business and receive transport services depend on the overall condition of the entire road infrastructure.

Although local roads are not property of the state, public funds account for more than 70 per cent of the total amount of funds allocated for the maintenance and development of these roads. The state allocated about LTL 2205 million for this purpose over the period 2008-2012 (on average about LTL 441 million per year), which prompted the National Audit Office to perform an audit to assess whether conditions have been provided for the efficient use of state budget funds allocated for maintaining and upgrading streets and roads of local significance.

When carrying out the audit, we followed a provision that the efficient use of these funds requires a favourable environment, i.e. certain conditions:

- a functioning information system to ensure collection and analysis of comprehensive, reliable, comparable information about the condition of local roads and streets and the demand for funds;
- a functioning system to ensure cooperation of all institutions involved in the maintenance and development of roads of local significance;
- use of public funds only for the most effective investment projects.

The main auditee was the Lithuanian Road Administration, which draws up a list of targeted allocation of funds for the design, development, construction, reconstruction, repair, and maintenance of streets and roads of national significance which are important for the state and, in the procedure laid down in relevant legislation, administers funds of the Road Development and Maintenance Programme (RDMP) intended for the development, repair, maintenance of roads of local significance (streets) and ensuring of safe traffic conditions.

The period under audit – 2008–2013. Information necessary for the audit was collected from municipalities, Road Administration, Ministry of Transport and Communications, and Ministry of the Interior.

The following public audit conclusions and recommendations were drawn upon the assessment of the audit findings.

AUDIT CONCLUSIONS

Roads of local significance and streets are municipal property; however, their development and maintenance is largely financed by public funds. Although institutions which administer these roads do take measures to ensure the efficient use thereof, there are no adequate conditions for this purpose due to the following reasons:

1. There is no comprehensive and reliable information on the present condition, and changes in the condition, of streets and roads of local significance, because inventory and legal registration of these roads have not been completed, there is no national monitoring system for roads of local significance, no measures are taken to determine and analyse the actual funding of the maintenance and development of these roads and streets and the demand for such funds.

2. There is a lack of coordination of actions of all interested institutions in the area of the maintenance and development of streets and roads of local significance, which results in failure to ensure consistent project implementation.

3. The existing system of funding streets and roads of local significance from the Road Development and Maintenance Programme (RDMP) does not allow for the effective use of funds, because:

3.1. the current procedure for the selection of eligible projects does not guarantee that funding will be granted for the most effective projects and that different municipalities will compete for at least part of the earmarked funds;

3.2. the procedure for the allocation of funds under the RDMP does not encourage the beneficiaries to use the funds for investments thus extending the lifetime of the roads.

3.3. there is no definition of the term “streets and roads of local significance important for the state”, so municipalities are free to decide what particular local roads may qualify for the funding from the RDMP under the article “Targeted funding of roads of local significance important for the state and streets”;

3.4. most of the reserve funds of the RDMP are allocated for the funding of local roads, though such funding is already provided for under the article "Construction, repair and maintenance of roads of local significance (streets) and ensuring of safe traffic conditions".

4. There is untapped potential to reduce the demand for public funds allocated for local roads because:

4.1. no optimal time limits have been set for the allocation of RDMP funds for the owners of local roads;

4.2. failure to complete local roads investment projects in time (observing the time limits set in the projects) increases the demand for funds;

4.3. municipalities are not encouraged to allocate more of their own funds for the maintenance of local roads and streets.

CHANGES DURING THE AUDIT

The Lithuanian Road Administration approved a new version of the Procedure for the planning, use, accounting and control of funds of the Road Maintenance and Development

Programme intended for capital investments in the construction and repair of roads of local significance (streets)[1]. The amendment provides for that funding priorities should be targeted towards the following:

- investment projects of institutions which allocate more of their own funds than other institutions;
- applications when the funding amount enables to complete unfinished projects;
- applications for funding cheaper projects.

RECOMMENDATIONS

In order to ensure the efficient use and management of public funds allocated for streets and roads of local significance, we recommend:

To the Government of the Republic of Lithuania

1. To develop and implement a single database for information on streets and roads of local significance and a monitoring system for these roads which would enable to determine their condition and deterioration and help to plan works of repair and maintenance of the roads (streets).

2. To provide for measures to ensure coordination of activities of all interested institutions in the area of the development of streets and roads of local significance in all stages of determination and allocation of the demand for funds, project implementation and control of results.

3. To provide for measures to encourage municipalities to allocate as much of their funding for the maintenance of streets and roads of local significance as possible.

4. With a view to ensuring efficient development and maintenance of streets and roads of local significance and taking into account specific features of such works, to consider a possibility to allocate RDMP for these purposes as early as possible, without observing the distribution model “85/15 percent”.

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[1] Order No. V-436 of the Lithuanian Road Administration under the Ministry of Transport and Communications of 21 October 2013 on the amendment of Order No. V-68 of the Lithuanian Road Administration under the Ministry of Transport and Communications of 26 March 2012 on the approval of the Procedure for the planning, use, accounting and control of funds of the Road Maintenance and Development Programme intended for capital investments in the construction and repair of roads of local significance (streets).

To the Ministry of Transport and Communications of the Republic of Lithuania

5. To provide for measures to encourage municipalities to allocate as much of the funding received under the RDMP for investments.

6. To define the term “streets and roads of local significance important for the state” and to approve a procedure for the selection of roads eligible for such funding.