

ACTIVITIES OF VIA LIETUVA AB IN ORGANISING THE REHABILITATION, MAINTENANCE AND DEVELOPMENT OF ROADS OF NATIONAL SIGNIFICANCE

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SUMMARY

Relevance of the Audit

Preserving the infrastructure of roads of national significance through timely and quality maintenance, improving the condition of roads and further development is a crucial factor in ensuring safe mobility of people, reducing economic and social disparities between Lithuanian regions, developing economic relations and attracting foreign investment. AB Via Lietuva¹, when managing roads of national significance, must ensure the organisation and coordination of safe traffic conditions, the continuous improvement of the condition of the road infrastructure, the transparent and efficient use of resources to improve the quality of the roads and to expand and maintain their network.

To achieve these objectives, it is important that the rehabilitation, maintenance and development of roads of national significance are adequately financed, that the company properly plans the rehabilitation, maintenance and development of these roads and the funding allocated to them, that the planned infrastructure projects are implemented in a timely manner, and that the company cooperates smoothly with the relevant stakeholders.

¹ From 2020-09-01 to 2023-01-01-01 - State Enterprise Lithuanian Road Directorate; from 2023-01-02 to 2024-03-04 - AB Lithuanian Road Directorate; from 2024-03-05 - AB Via Lietuva.

Objective and Scope of the Audit

The objective of the audit was to assess whether the activities of Via Lietuva AB in organising the rehabilitation, maintenance and development of roads of national importance are efficient and effective.

Key audit questions:

- ✓ whether Via Lietuva AB properly plans the rehabilitation, maintenance and development of roads of national significance;
- ✓ whether Via Lietuva AB ensures proper implementation of the development, rehabilitation and maintenance works on national roads;
- ✓ whether the conditions are in place to ensure the efficient and effective operation of Via Lietuva AB.

Audited entities:

- ✓ The Ministry of Transport and Communications: formulates state policy on road maintenance and development, organises, coordinates and controls its implementation, approves measures for the development, modernisation and operational progress of roads of national significance. The Ministry is also the manager of Via Lietuva AB, all shares of which are held by the State.
- ✓ Via Lietuva AB: owns, operates and disposes of roads of national significance by the right of trust, organises and coordinates their rehabilitation, maintenance and development, performs the functions of the client for the design, layout, construction, reconstruction, repair and maintenance of these roads. In addition, to ensure road safety, the company plans, organises and coordinates the installation, use and development of traffic management, control, monitoring and accounting systems.

We collected information from 60 municipalities, the Association of Lithuanian Municipalities, the Association of Lithuanian Design Companies, Lithuanian Roads Association and the PB Central Project Management Agency.

The audit period is 2021-2023. To assess trends and changes, we used data from previous periods and 2024.

The audit was carried out in accordance with international standards of supreme audit institutions. The scope of the audit and the methods applied are described in more detail in Annex 2 "Audit scope and methods" (page 44).

Key audit results

The activities of the joint-stock company Via Lietuva in organising the rehabilitation, maintenance and development of roads of national significance would be more efficient and effective if the planning process of the company's rehabilitation, maintenance and development of roads of national significance is further regulated, the implementation of design and construction works is ensured in a timely manner, and the questions of sufficient funding for the improvement of the road condition are resolved more quickly.

1. The planning of rehabilitation, maintenance and development works on roads of national significance by Via Lietuva AB is to be improved

- ✓ To determine which national roads and/or road elements should be repaired and/or reconstructed first, they are evaluated and ranked according to set criteria - priority queues are established. Via Lietuva AB had approved² a total of 28 priority queues for roads and/or elements of national roads. During the audit, we could not ascertain whether the data used to establish the 5³ (out of 28) priority queues selected by the auditors for evaluation were reliable because the supporting documentation for 4⁴ (out of 5) priority queues selected for evaluation did not indicate how the criteria values were calculated, the date of the calculation, and the time period for which the data were used. The priority queues were not based on current data, but on data from 2-5 years ago. The company did not provide any supporting documentation for the establishment of the one⁵ priority queue chosen for the evaluation. In the absence of reliable data used to calculate the values of the evaluation criteria for sections and/or elements of national roads, we could not confirm that the road sections and/or elements were correctly evaluated and that their allocation to the queue was justified (Sub-section 1.1, pages 14-16).
- ✓ In order to ensure traffic safety, Via Lietuva AB may install average speed cameras on sections of national roads after assessing them in accordance with the established criteria. It is foreseen⁶ that it is appropriate to install them when the length of the road section is between 1 and 10 km. In exceptional cases, the length of the road section may be shorter or longer depending on local and traffic conditions. We found that 4.4% (171 out of 3,881) of sections of national roads were included in the 2021 and 6% (227 out of 3,998) in the 2018 priority queues for the selection and installation of sites for average speed cameras in areas outside settlements, without any reason being given as to why they should be considered exceptional. According to these queues, 29% (29 out of 100) of the sections of national roads were equipped with average speed cameras in the period 2020-2022, at a cost of EUR 0.9 million, with insufficient justification of the appropriateness of their installation. Insufficient justification of why average speed cameras should be installed on road sections shorter than 1 km or longer than 10 km does not ensure that state budget money is used efficiently and purposefully (Sub-section 1.1, pages 16-18).
- ✓ Via Lietuva AB did not provide supporting documents on the selection of sections and/or elements of roads of national significance for the period 2021-2023 where construction works are planned to be carried out in the current year, the allocation of their funding, and the list of the selected sections and/or elements of roads. In the absence of these documents, we could not ascertain that the decisions taken by the

² 2023-12-31.

³ 5 selected priority queues: 1) Selection and installation of instant speed camera sites in settlement areas; 2) Reconstruction and repair of pedestrian and cyclist infrastructure; 3) Selection and installation of average speed camera sites outside settlement areas; 4) Sections of national roads to be reconstructed and repaired; 5) List of sections to be selected in accordance with the Methodology for selecting sections of asphalted national roads between different road surfaces ("zebras") and in accordance with the Methodology for selecting sections of asphalted gravel roads to be asphalted in settlement areas.

⁴ 4 selected priority queues: 1) Selection and installation of instant speed camera sites in settlement areas; 2) Reconstruction and repair of pedestrian and cyclist infrastructure; 3) Selection and installation of average speed camera sites outside settlement areas; 4) Sections of national roads to be reconstructed and repaired.

⁵ List of sections to be selected according to the methodology for selecting sections to be asphalted between different road surfaces ("zebras") on district roads of national significance and according to the Methodology for selecting sections to be asphalted on gravel roads in settlement areas.

⁶ Methodology for prioritising the selection and installation of average speed camera sites outside settlement areas.

company during the audit period on the scope of the planned works were justified. We found that the legal acts did not regulate the planning process for the road sections and/or their elements where works are planned to be carried out (investment priorities, selection of road sections and/or their elements from priority queues, principles of funding allocation, etc.). Without a process for planning the works and allocating financial resources to the planned works, and without ensuring traceability of this process, the rehabilitation, maintenance and development of national roads cannot be carried out in a coherent, targeted and transparent manner (Sub-section 1.2, pages 19-21).

2. VIA Lietuva AB failed to ensure proper implementation of rehabilitation, maintenance and development works on roads of national significance

- ✓ On behalf of Via Lietuva AB, a total of 165 projects for the construction of national roads and/or their elements were prepared under public procurement contracts in the period 2021-2023. We found that 78% (128 out of 165) of the contracts did not deliver the projects within the deadlines set out in the contracts, i.e. delays ranging from 5 to 1 044 calendar days (Annex 5). The delay in the preparation of the projects was caused by inadequate action or inaction on the part of the client or the designers at the time of their preparation (e.g. the company's staff, due to the heavy workload, delayed in checking the project solutions and in providing the designers with prompt comments and answers to questions raised by the designers on how to revise, supplement or modify the design solutions; the design company did not plan its execution of the work properly, etc). The failure to implement the majority (78%) of public procurement contracts for the preparation of works projects for the construction of national roads and/or their elements in a timely manner increases the costs of administering these projects, complicates the planning process for the construction works, and may result in the subsequent start of construction works on roads and/or their elements that do not meet the quality standards for the roads and/or elements to be repaired (Sub-section 2.1, pages 22-24).
- ✓ On behalf of Via Lietuva AB, contractors have carried out a total of 641 public procurement contracts for the construction of national roads and/or their elements in 2021-2023. We found that for 86% (552 out of 641) of the contracts, the contractors were delayed between 4 and 1 087 calendar days in completing the construction and other works on the roads and/or their elements (Annex 6). The contractors were delayed because of the need to address identified defects in the construction work, inaccuracies in the designs during the work, the need for additional (unplanned) construction work, etc. We found that 16% of the contracts selected by the auditors for evaluation that were not implemented on time did not have measures in place to manage the risk of delays in construction works, while the remaining contracts (84%) selected by the auditors for evaluation did have measures in place, but were not sufficiently effective. As the majority (86 %) of public procurement contracts for the construction and other works on national roads and/or their elements are not implemented on time, these roads may be operated with restrictions, which may result in additional time and financial costs for road users, longer travel times, parking at bottlenecks, and increased pressure on bypasses (Sub-section 2.2, pages 24-27).
- ✓ Via Lietuva AB has given all municipalities the opportunity to implement projects on national roads in cooperation with the company earlier than the timeframe set in its

approved priority queues, provided that the municipalities guarantee a minimum financial contribution to the implementation of the projects. In such cases, cooperation/partnership agreements were signed. In 2016-2023, Via Lietuva AB had concluded 247 cooperation agreements with all (60) municipalities for the implementation of infrastructure projects, of which 40% (100 out of 247) had deadlines for their implementation, and 60% (147 out of 247) did not have deadlines. We found that 25% (62 out of 247) of the contracts had not been started (construction design work not started) between 9 months and 6 years after signing because the company had signed the contracts with no or insufficient funding to implement them. The absence of specific decisions on the non-performance of cooperation contracts with municipalities does not allow for a clear timeframe for their implementation, thus creating unjustified expectations for the execution of construction works on national roads and/or their elements of interest to municipalities, and hindering the planning of the implementation and financing of the related municipal projects (Sub-section 2.3, pages 27-30).

3. Insufficient preconditions have been created to ensure the achievement of the strategic objective of Via Lietuva AB related to the rehabilitation, maintenance and development of roads of national significance.

- ✓ Via Lietuva AB achieved on average 20% (4 out of 20) of the performance indicators of the strategic objective "Ensure safe and convenient access to roads of national significance through efficient maintenance and development", 40% (8 out of 20) of indicators were not achieved, 40% (8 out of 20) were exceeded. With an average of 80% of the performance indicators deviating from their target values each year, the company had not planned the target values for the indicators properly (too ambitious or too simple), which did not allow for an objective assessment and demonstration of the progress of this strategic objective (Sub-section 3.1, pages 31-32).
- ✓ The funding allocated and planned for the rehabilitation, maintenance and development of national roads for the period 2021-2026 was/will be lower (between EUR 9.4 million and EUR 804.8 million) than the estimated need. We found that measures (e.g. introduction of an electronic toll collection system, provision of commercial services, establishment of an infrastructure development fund) foreseen or planned to address the funding gap are delayed in their implementation.
- ✓ Delays in the introduction of the already foreseen funding sources (electronic toll collection system, commercial services) will result in the loss of the possibility to generate around EUR 91.7 million in additional revenue for road development, rehabilitation and maintenance projects in 2022-2025. The planned funding for rehabilitation, maintenance and development of national roads, which is not in line with the need and the delay in the implementation of the envisaged sources of funding, does not contribute to the achievement of the strategic objectives of adequate road quality to ensure safe and comfortable road transport in the country (Sub-section 3.2, pages 32-36).

Changes during the audit

As of 1 September 2020, the budgetary institution Lithuanian Road Directorate was transformed into a state enterprise, and as of 2 January 2023, the state enterprise was transformed into a joint-stock company, which changed its name and became the joint-stock company VIA Lietuva as of 5 March 2024. Following the transformation of the budgetary institution Lithuanian Road Directorate into a state enterprise, a special obligation - management of roads of national significance and organisation and coordination of the provision of safe traffic conditions for the implementation of traffic safety measures on roads of national significance - was introduced as of 1 September 2020. Following the transformation of the state enterprise Lithuanian Road Directorate into a joint stock company, major changes in the company started on 2 January 2023:

- ✓ a new Director General of the company was elected, a new senior management team was formed and the organisational structure was renewed;
- ✓ a change management programme has been developed and launched, covering changes in all areas of the company's activities:
 - the Management Board, the Non-Standard Solutions Committee and the Project Oversight Committee of the Joint Stock Company have been set up;
 - to standardise project management, the company's Project Management Policy, the Project Management Operational Manual and a new Project Management Group have been developed and approved to consolidate all project management competences;
 - existing external and internal risks have been identified, a Risk Register has been prepared, and an Action Plan of additional risk management measures has been adopted to manage the company's risks more effectively;
 - the standard public procurement contract for the construction of national roads and/or their elements and other works has been modified to include provisions on the timing of works and on the winter break (from 15 December to 15 March).

Recommendations

To the Ministry of Transport and Communications

1. In order for the manager of national roads to ensure the quality of national roads and safe and convenient access to them, and thus achieve its strategic objectives for their efficient maintenance and development, initiate decisions on a funding model to ensure sustainable financing for road rehabilitation, maintenance and development (Key audit result 3).

To the joint-stock company Via Lietuva AB

1. To ensure a transparent and targeted use of the state budget and money received and earned from other sources to improve the quality of national roads and/or their

elements and to develop their network, regulate the processes of selecting these roads and/or their elements from the priority queues and of drawing up, modifying, updating and publicising their list (Key audit result 1).

2. To ensure that the prioritisation of the construction of national roads and/or elements of national roads is carried out in a justified manner, ensure that timely, reliable and relevant data at the time of prioritisation is used in the creation of the priority queues (Key audit result 1).
3. To ensure safe and convenient access to roads of national significance within the planned timeframe, improve the implementation process of their infrastructure projects (Key audit result 2).
4. To ensure smooth cooperation with municipalities on the implementation of works for the construction of national roads and/or their elements in the territory of the municipality, improve the process of cooperation with the municipalities so that the works are scheduled and implemented in time (Key audit result 2).
5. To objectively assess and demonstrate the achievement of the strategic objective of rehabilitation, maintenance and development of national roads, taking into account the past performance of the indicators, to analyse internal and external factors and to set appropriate values for the indicators for the achievement of the objective (Key audit result 3).

The measures and timeframes for implementing the recommendations, the expected impact of the audit and the indicators for measuring change are set out in the report in the section 'Plan for the implementation of the recommendations' (p. 37). Up-to-date information on the status of implementation of the recommendations, results and developments is published in open data on the National Audit Office website at: <https://www.valstybeskontrole.lt/LT/AtviriDuomenys>.