Organisation of local road maintenance

Do local authorities follow legislative requirements when organising local road maintenance and has the state performed its tasks in this field?

Report of the National Audit Office to the Riigikogu, Tallinn, 29 September 2010

Summary of audit results

The National Audit Office analysed the organisation of the maintenance of local roads in ten rural municipalities and cities, assessing the activities of local authorities in fulfilling their obligations arising from law. Specifically, the areas under review were accounting of local roads, inspection of their condition and determining the need for roadwork and planning funding for this, although the audit also highlighted the kind and extent of roadwork carried out by local authorities and whether the quality of the works had been monitored.

Also assessed in the course of the audit was whether the state had performed its tasks in terms of local roads.

Information for the period 2008–2009 was gathered for the audit. Roads are a part of the infrastructure needed by society in order to function and various areas of life depend on their existence and condition. The availability of several primary public services – medical assistance, rescue and police services, social welfare services – depends on the possibility to use roads. A road network that is in good condition speaks volumes about the country's development and is a prerequisite to continuing development.

Local roads comprise a significant part (approx. 40%) of roads in Estonia, and maintaining them is costing local authorities considerable amounts of money: approx. 1.9 billion in 2008 and approx. 1.2 billion kroons in 2009. Local roads are public roads, which means that their condition must meet certain requirements in order to guarantee traffic safety on the roads. The possibility to use roads is a public benefit and common requirements represent the minimum requirements set for the quality of the benefit and influence the expectations of the people who use the benefit. Taxpayers as well as the wider public are interested in the funds allocated to local road maintenance in budgets are used in a manner that helps to meet such requirements and enables the local government to offer good and safe traffic conditions on local roads.

Many local authorities have not been following the law in the organisation of road maintenance for a long time, but the state as the entity that established the requirements has done nothing to improve the situation. One of the consequences of the failure to meet the requirements in the opinion of the National Audit Office is that it is impossible to ascertain whether or not a local government has taken sufficient measures to guarantee safe traffic on local roads.

The need for financing in the maintenance of local roads has not been identified in Estonia. This is why politicians cannot agree on how much tax

revenue should be allocated to local road maintenance, and their opinions are not based on actual needs.

Road maintenance is an area where local authorities have to follow rather specific guidelines given by the state. Heads of local authorities decide how much of their budgetary funds are used on road maintenance, but various requirements have to be considered in the performance of roadwork or in the general organisation of road maintenance. As a result of the audit, we have to admit that the majority of local authorities don't often think that meeting the requirements is necessary. Since these shortcomings in the activities of local governments have been present for many years, the fact that the obligations are not being met cannot come as news to the state. However, the state has taken no decisive steps to guarantee that the requirements are met or updated.

Controversy surrounds the funding of local road maintenance, at the heart of which is the amount of support paid out to local governments from the state budget. The state's decision to decrease the support made in 2009 has made things even worse. The need for greater funding than is currently being provided is also felt by representatives of local authorities as well as the state, but the exact amount required is not known, since no studies have been carried out to determine it. This is the reason why there is a lack of weighty arguments to support local government demands in terms of allocating support from the state budget for local roads.

Main observations

■ **Accounting of local roads is incomplete.** The audited local authorities have failed to submit a significant amount of data related to local roads and associated sites to the national register of roads. Local authorities are only motivated to submit the data that's needed for funding to be allocated from the state budget. The state's activity in gathering data for the register has been too passive. The value of roads as an asset used to meet the obligations of local government is often unknown and not all roads are recognised in the accounts of local authorities. Six of the ten audited local authorities had problems with timely recognition of roads in their accounts.

■ **Taking private roads in public use has generally been lawful.** Private roads had been put in public use only in the audited rural municipalities where the share of private roads among local roads was almost 50% on an average. Except Kõlleste Rural Municipality, the auditees had entered into the contracts required by law with the owners of private roads before the roads were taken in public use and registered as local roads in the national register of roads. A private road is not a local road without a contract and obtaining funds for its maintenance from the state budget is not lawful. Kõlleste Rural Municipality has therefore received more money from the state than it should have.

■ **The requirements for the condition of roads in public use are not met in local authorities.** The state has established common requirements for the condition of publicly used roads in order to guarantee traffic safety. Specific requirements depend on the required level of the road's condition, which the owner of the road has to ascertain on the basis of traffic volume or the type of road. Audited local authorities had not done it and they do not see it as necessary. Therefore, it is impossible to ascertain how many local roads meet these requirements and how many do not.

■ **Inspections of the condition of roads are usually not recorded in writing and the connection between inspections and planning road maintenance is usually vague.** The owner of a road is obliged to inspect roads and they can decide on the manner and time of such inspections themselves. Legislation does not contain the requirement to document inspections, but the National Audit Office thinks that it is essential to guarantee that heads of local authorities have a comprehensive understanding of road conditions and make the correct decisions when planning roadwork. Only four local governments have documented road inspections.

Just a few local authorities had connected the circumstances identified during the inspection of a road, the assessment of the need for roadwork and the amount of funding required for these works in their management documents that concern the financing of road maintenance. In the remaining local authorities, the need for roadwork was briefly touched upon in the development plans of the local authorities.

■ **The Road Administration rarely inspects the condition of local roads.** The Road Administration inspected just nine local authorities during the audited two-year period. The main obstacles according to the Road Administration are insufficient funds and also the lack of assessment criteria, as local authorities have not determined the level of the condition their local roads should be in.

The National Audit Office finds that the inspection competency of the Road Administration should be made somewhat more specific, so that it can be used more actively in the future. Improving the efficiency of inspections by the Road Administration is an important measure in forcing local authorities to meet their road maintenance obligations.

■ **The need of local roads for investments has not been identified.** Identifying the need of local roads for investments by the end of March 2007 is mentioned as one of the output indicators to be used in the clarification of the system for financing road maintenance in the National Transport Development Plan 2003-2013. The National Audit Office has found that this has not been done, as neither the actual state of local roads nor the roadwork required to improve the overall situation in local authorities has been investigated.

Responses of auditees

Audited local authorities generally agreed with the recommendations on road accounting, inspection of the condition of roads and planning road maintenance, and promised to follow them.

The **Minister of Economic Affairs and Communications** thought it was necessary to discuss with local government associations whether and which changes could be made in the data about roads that has to be submitted to the register of roads and to consider whether the Road Administration as the registrar should be granted the right to issue precepts and impose penalty payments. The Minister did not think that increasing the competency of the Road Administration in the inspection of local road maintenance was possible at the moment. Neither did the Minister think it necessary to specify the legal bases on which support allocated to local road maintenance is distributed from the state budget or redistributed later.

The responses given to the common recommendations made to the Ministry of Economic Affairs and Communications and national local government associations show that possible amendment of the requirements set for the condition of local roads and the need to ascertain the investment needs of local roads have been discussed in meetings. The Minister says in his response that changing road condition requirements calls for specific proposals from local authorities, but the response of local government associations does not clarify what they intend to do about the matter. The Minister believes that it is possible to ascertain the investment needs of local roads or the total financing needs of road maintenance only after accounting is improved in local authorities. The Association of Estonian Cities believes that local authorities do not have the resources required for relevant analyses. The Association of Municipalities of Estonia, however, told us that they have started to investigate the need for financing independently and using their own methodology.

Airi Mikli
Local Authorities Audit Department