

AUDITOR GENERAL'S DEPARTMENT

PERFORMANCE AUDIT REPORT

MANAGEMENT SYSTEM FOR THE MAINTENANCE OF PAROCHIAL ROADS

(KINGSTON & ST. ANDREW MUNICIPAL CORPORATION)

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This report was prepared by the Auditor General's Department of Jamaica for presentation to the House of Representatives.

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Building Blocks of Value for Money





Audit at a Glance

MANAGEMENT SYSTEM FOR THE MAINTENANCE OF PAROCHIAL ROADS (Kingston & St. Andrew Municipal Corporation)



Key Data

- KSAMC master list of 1,793 parochial roads (606 km), last updated in 1992
- \$3.3 billion spent from the Parochial Revenue Fund for road works maintenance activities, over the period 2014-2015 to 2019-2020

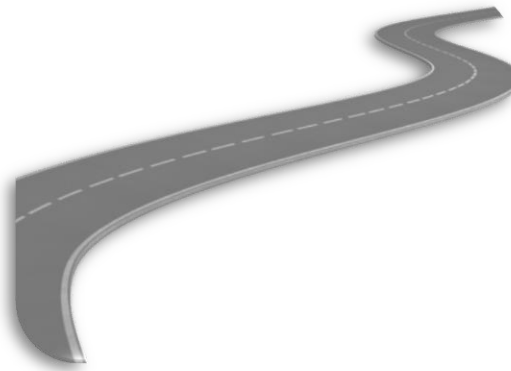
Main Findings

- Budgets were not aligned to annual road maintenance plans for parochial roads.
- KSAMC could not confirm the reliability of its records relating to PRF expenditures as it could not explain the variances between its general ledger and subsidiary records.
- No established guidelines for the prioritization of maintenance activities for parochial roads.
- Routine work programmes did not reflect planned road works but works already undertaken.
- Strategic plan for 2014-2018 was still in draft at the time of our audit report.



Conclusion & Recommendation

The absence of a strategic approach to road maintenance heightened the risk of critical scarce resources being diverted to road projects with little economic or social impact for communities and stakeholders. KSAMC's budgets were not always aligned with planned road works to facilitate adequate funding for quality road maintenance. The Corporation should therefore seek to develop a comprehensive plan which identifies priority works and targets for road maintenance activities, to achieve a sustainable road network.



Auditor General's Overview

The Threshold 21 Jamaica Model featured in Jamaica's Vision 2030 National Development Plan (NDP) highlighted that improvements in physical economic infrastructure such as roads, will have higher payoffs in the form of higher rates of economic growth than equivalent investment in health and education over the time horizon to 2030. Accordingly, the NDP indicated that "Road maintenance will be prioritized based on economic and social criteria, including consideration of the relative costs and benefits of primary, secondary and tertiary road networks. Of note, it is generally accepted that routine road maintenance is more cost-effective than new road construction.

This audit report of the Kingston and St. Andrew Municipal Corporation (KSAMC) represents the final of three reports from our 2018/19 audit plan, which sought to review the management systems of authorities, for the rehabilitation and maintenance of Jamaica's farm and parochial road network. All three audits were commissioned to determine whether road works were implemented effectively and efficiently to achieve value for money. It is important that works undertaken meet the requisite standards, thereby enhancing road safety and ease of travel.

Generally, the audits identified a lack of transparency in the selection of various road work projects, as well as inadequate management of road networks, given the absence of a robust inventory of farm and parochial roads and the current conditions. The audits also identified weak procurement management and controls over the execution of contracts, which pose a significant risk to safeguarding public funds allocated for road rehabilitation and maintenance. In addition, the absence of approved strategic plans and written policies and procedures, coupled with a misalignment of work plans with annual budgets, in several instances, undermined the ability of these entities to effectively deliver on their mandates and provide assurance that the Country's road network and related infrastructure met acceptable quality standards.

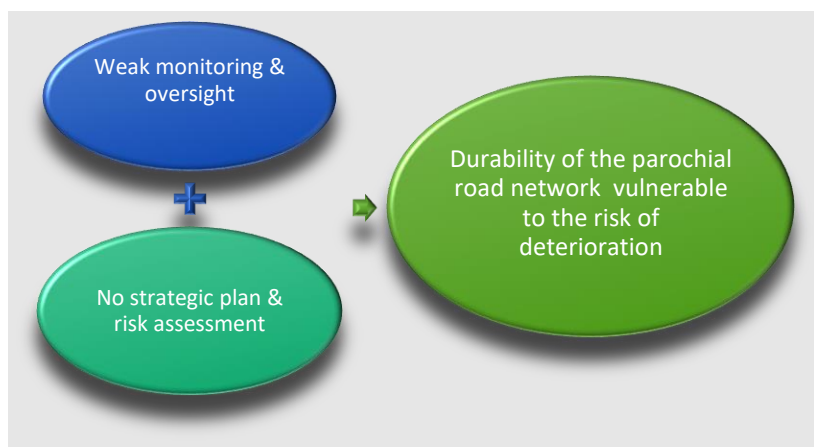
The parishes of Kingston and Saint Andrew comprise an extensive network of urban and rural roads under the management of the KSAMC which spent an overall \$4.1 billion on the maintenance and rehabilitation of parochial roadways and sidewalks/verges from April 2014 to March 2020. Our audit found that KSAMC had in place qualified and trained management and staff. However, its failure to strategically plan road projects and establish performance goals and targets, underscored weaknesses in its management system which undermined its ability to achieve best value from funds spent on implemented road projects.

I expect that this report will encourage the establishment and implementation of appropriate measures and controls at the national and institutional levels, to enable municipal corporations such as the KSAMC, to achieve greater value for money from publicly funded projects.

Thanks to the management and staff of KSAMC for the cooperation and assistance, as well as courtesies extended to the audit team throughout the period of the audit.



Pamela Monroe Ellis, FCCA, FCA
Auditor General



Executive Summary

The Kingston and St. Andrew Municipal Corporation (KSAMC) is one of the fourteen local authorities empowered to make by-laws, regulations, and rules for the good governance of the two parishes, namely Kingston and St. Andrew. KSAMC's core mandate is to develop, manage and maintain infrastructure and public facilities such as parochial roads, water supplies, drains and gullies. Over the period 2014-2015 to 2019-2020, KSAMC spent \$3.3 billion from its Parochial Road Fund (PRF) allocation, for road work maintenance activities which included physical repairs, critical drain cleaning and bushing. An additional funding totalling \$0.8 billion was provided from the Constituency Development Fund (CDF), Equalisation Fund (EQ) and the Tourism Enhancement Fund (TEF) for other maintenance and rehabilitation activities. In order to achieve value for money, it is important that KSAMC has proper systems to enable the delivery of good quality road works and that the procurement of goods and services is timely, transparent, and cost effective.

The performance audit sought to determine whether KSAMC had in place, adequate internal controls to provide assurance that value for money would be achieved from the funds spent on the rehabilitation and maintenance of parochial roads. This is in a context where KSAMC obtains funding for road maintenance from the MLGRD-managed Parochial Revenue Fund (PRF), which is supported by revenues from property taxes and motor vehicle licences.

Based on our findings, KSAMC-managed parochial roads were at an increased risk of deterioration, due to a combination of factors including deficiencies in its monitoring of parochial roads to guide maintenance activities and the absence of risk assessments of the factors that may adversely impact the delivery of quality parochial roads. Additionally, the preparation of work plans was not the norm for the Agency and hence the non-existence of individual work plans would have limited KSAMC's ability to measure performance against assigned tasks.

To its benefit, KSAMC has in place a qualified management team and trained staff. Nonetheless, the Corporation's effectiveness in managing and implementing parochial road projects, was weakened by a lack of planning documents to ensure consistency of operations, promote greater accountability, and mitigate costly errors. A major limitation was the absence of an approved strategic development plan to provide medium to long-term strategies, goals, and performance targets, to deliver a quality road network, as the Strategic Development Plan for 2018-2022 was in draft at the time of our audit. These gaps, coupled with deficiencies in the Council's oversight framework, would have limited KSAMC in achieving full value from money spent on road maintenance and rehabilitation works. We noted however, that although KSAMC's financial statements had been in arrears for over 10 years, Management has taken steps to bring these up to date.



Key Audit Question

Is there an effective and efficient management system for the maintenance of parochial roads under KSAMC's administration?

What We Found

Financial Management

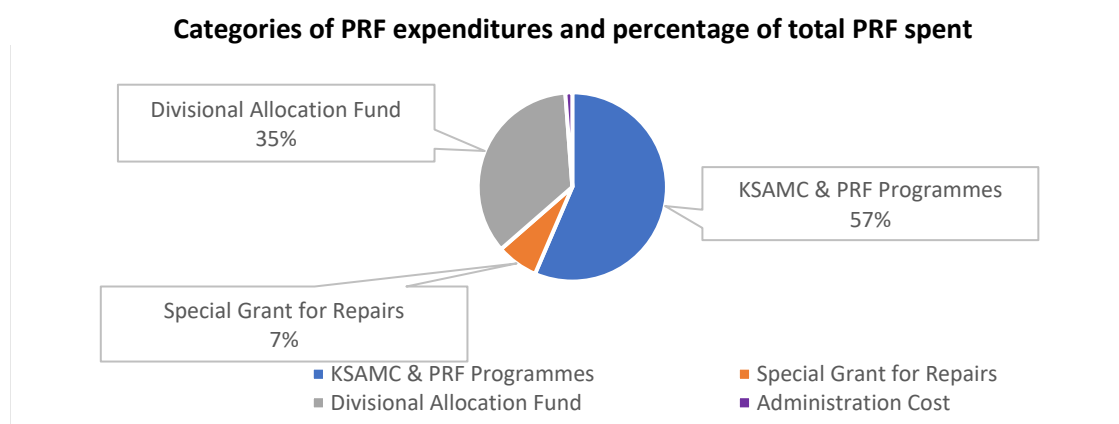
KSAMC's budgets and allocation of funds were not aligned to its annual programme of road works

1. **KSAMC prepared budgets in response to the MLGRD's annual budget call but failed to ensure alignment with identified road projects.** Heads of Departments (HODs) were required to estimate costs associated with all activities for their respective units, which they presented to the General Council for discussion. Estimates were approved by the Finance Committee based on policy position and submitted to the MLGRD for inclusion in the Ministry's budget and final approval by the Ministry of Finance and Public Service (MoFPS). However, we found that the budgeting and allocation of financial resources for road maintenance, bore no relation to identified needs. KSAMC based its budgets on trends in allocations that were not aligned to KSAMC's annual road maintenance plans for the respective years. For instance, KSAMC could not provide a breakdown of the \$830 million budgeted for road and works expenditures for the 2018-2019 financial year, in relation to the established annual programme of works.

BUDGET SUMMARY	
<u>Programme/ Sub-Programme</u>	Estimates (\$) 2018-2019
Roads and Works	561,424,473
Property Tax Related Expenditure	240,000,000
Roads and Works Admin	29,000,000
Total	830,424,473

- 1.1 We expected KSAMC to prepare comprehensive long-term road maintenance plans taking into consideration all expenditure required for routine, preventative and emergency repairs of the road infrastructure on an annual basis. However, KSAMC's annual budgets did not reflect a prioritisation of road works based on objective criteria, linked to annual procurement plans. In response to these observations, KSAMC advised that the Corporation was in the process of updating its Sustainable Development Plan and collecting data for Local Areas Sustainable Development Plans (LASDP), Road Policy and Action Plan (RPAP) in keeping with their effort towards a data-driven asset management approach, which would help to enhance the capability of linking the budget to identified needs and road maintenance programme. However, the timelines given for completing the related tasks were either non-specific or were not referenced in supporting documentation. For example, whereas there was an April 2021 timeline for updating the RPAP, no specific date was given for the other documents, which were listed as 2 years and 2021, respectively. Further, the link between budget and maintenance plans was not presented.

2. **Owing to the absence of an updated parochial road inventory, we could not determine that PRF allocations were properly apportioned.** KSAMC obtained funding for its road maintenance through the MLGRD-managed Parochial Revenue Fund (PRF). The Fund is supported by revenue from property taxes and motor vehicle licences. The MLGRD is legally required to distribute from its PRF, 75 per cent of motor vehicle licence fees collected, based on the number of miles of parochial roads in the parish, expressed as a percentage of the total number of miles of parochial roads in the Island. MLGRD did not provide the road schedules that informed PRF allocations per parish, despite request. Instead, KSAMC provided a master list of 1,793 parochial roads (606 km), that was last updated in 1992. Given additional roads and sub-divisions in the municipality since then, we had no way to determine whether the amounts of \$3.7 billion, allocated by MLGRD between 2014-2015 and 2019-2020, were an accurate calculation of amounts due. In October 2020, KSAMC advised us that the Corporation intends to update its road inventory.



Strategic Management and Oversight

KSAMC's Council did not consistently develop strategic plans or performance targets to facilitate the delivery of cost-effective quality road works

3. **KSAMC did not have a strategic approach to the allocation of scarce resources for the maintenance of parochial road network.** Given documented concerns of inadequate funding of road maintenance activities, we expected KSAMC's Council to lead the Corporation's strategic direction, by consistently developing plans, inclusive of priority activities and targets for road maintenance and assessing those factors that may pose significant risks¹. However, no strategic plans were developed and approved for the period 2014-2018 and at the time of our audit, KSAMC only presented a draft Strategic Development Plan for 2018-2022. Nonetheless, KSAMC spent \$3.3 billion from the PRF for road works maintenance activities (physical repairs, critical drain cleaning and bushing) over the period 2014-15 to 2019-20. The failure of the Council to approve strategic plans and implement an appropriate risk strategy for the prioritization and selection of road works, heightened the risk of the inefficient allocation of scarce resources.

¹ Risk assessments related to road maintenance, may include procurement and contracting processes, road safety vulnerabilities and weather events to protect its road infrastructure and ensure value for money.

- 3.1 Further, KSAMC should have developed annual operational and road maintenance plans detailing costs and identifying financing gaps that could impact its implementation of projects, as well as determine whether its current financing model was sustainable. However, KSAMC did not develop annual operational plans or road maintenance plans and failed to consistently prepare annual procurement plans in accordance with GOJ Procurement Guidelines.² These factors hindered the systematic and effective execution of KSAMC's road maintenance activities. In October 2020, KSAMC indicated that inadequate staffing impacted efforts to develop appropriate plans and strategies, including risk assessments and performance targets.
- 3.2 Section 41 of the Local Governance Act requires KSAMC to conduct community meetings at least once in each year to report to the Local Authority's inhabitants on its performance and plans. However, we found no evidence of input from the public in planning its expenditure for road works. Although KSAMC provided a listing indicating that nine meetings were held over the period March 2017 to January 2020, details of the meetings, such as agenda, minutes, and discussion points for Council meetings were not provided. KSAMC indicated that it is not the normal practice of the Corporation to take minutes at these meetings, however, a register and minutes would be maintained for subsequent meetings.
4. **KSAMC was limited in its ability to hold staff of the City Engineering Department to account for service delivery given the absence of workplans or performance targets.** Based on the nature of KSAMC's operations, staff³ responsible for managing parochial roads should have well-defined roles and responsibilities that supported the Corporation's objectives. However, we found no annual workplans or associated performance targets for the output of individuals and by extension the City Engineering Department. For instance, KSAMC's Chief Engineering Officer was responsible for road maintenance related activities, but there were no explicit performance goals or targets against which to hold the officer to account. Our review of 12 performance evaluation reports (PERs), inclusive of that for the CEO,⁴ revealed that employees were merely assessed on expected duties and competencies, with no mention made of established deliverables.

Roads Management

5. **KSAMC failed to maintain critical information on the condition of parochial roads to guide maintenance activities.** KSAMC was unable to provide data on the condition of the parochial roads under its purview, although up to date information on the state of the road network could assist KSAMC to identify the level of work needed to bring roads up to an acceptable standard. This would assist in medium and long-term planning as well as prioritize works to ensure the best use of money. KSAMC responded that it has been developing a database of its road system, which includes scheduled inspection and the preparation and submission of inspection reports that guide road work decisions; this should be finalized by February 2021.

² GOJ Handbook for Public Sector Procurement Volume 2, Appendix 1.6 "Ministry of Finance requires that every procuring entity submit a procurement plan with their Corporate and Operational plans and budgets to support the projected expenditure of their ministries. An updated copy of the previous year's plan should also be included".

³ The City Engineering Department is headed by a Chief Engineer who has a team consisting of one (1) Assistant Superintendent, one (1) Assistant Superintendent (temporary), two (2) Field Officers and a Field Inspector (trainee)

⁴ PERs examined (12): R&W Dept. 8 and CEO, Procurement Officer, Chief Financial Officer (Acting) and Director of Finance & Budget.

- 5.1 Although KSAMC stated that road maintenance projects were determined based on reports from residents, submissions by councilors, and verification of the recommended list of roads by field officers, KSAMC failed to document these deliberations and hence was unable to present any such records for our review. Consequently, we could not determine that priority was given to the roads in greatest need of repair or those that would impact most positively on the welfare of the public. KSAMC accepted that there were weaknesses in its documentation and that steps would be taken to ensure deliberations were duly captured and documented.
6. **KSAMC inspection activities did not provide assurance that road maintenance work undertaken complied with best practices for quality standards.** KSAMC did not present documentation regarding inspection checklists and logs used by field officers, to verify whether each phase of road works completed, complied with requirements. This information is critical to determine the extent and physical condition of the parochial road network, informing the Corporation of whether road works undertaken were aligned with works contracted, ensuring cost-effective correction of poor road conditions. Accordingly, we were unable to ascertain how KSAMC assured itself that field officers conducted required site visits and consultations in accordance with expectations of the Corporation and best practices. KSAMC advised that operating activities were guided by the NWA's quality standards, however, the Corporation could not produce the relevant policy(s) and/or Standard Operating Procedures (SOPs) to substantiate this assertion.
7. **KSAMC monthly work programmes were not reflective of planned road works.** A key requirement for the disbursement from the PRF is the submission of monthly work programmes to the MLGRD. However, we found that the monthly work programmes submitted to MLGRD by KSAMC, only listed road works already done, in order to facilitate claims, instead of road works to be undertaken.⁵ We found that instead of preparing work programmes, KSAMC utilized records of actual works undertaken as a proxy for planned works. MLGRD is required to review work programmes submitted by the Corporation to either approve or recommend amendments, however, KSAMC's failure to submit planned road works, may have hindered the MLGRD's ability to proactively monitor planned road maintenance activities. This would have also deprived the Ministry of a reasonable basis on which to determine whether targets were achieved.
- 7.1 Concurrently, we expected that MLGRD, as part of its monitoring role, would have taken steps to verify that the reported road works were done, given that the continued disbursement of the PRF was hinged on the submission of work programmes. However, MLGRD did not conduct follow-ups to verify that funds disbursed from the PRF were being utilised as per the approved monthly works programmes. In response to our audit observations, KSAMC indicated that they were working towards an agreement with MLGRD that a schedule of planned work had to be provided before KSAMC commences road improvement works. The agreed position was scheduled to be finalized by November 2020.

⁵ Section 4(1) of the Local Government (Financing and Financial Management) Act 2016 states: "prior to submitting any strategic plan and budget to the Minister for approval under section 3(1)(d), the relevant Local Authority shall ensure that the public is given an opportunity to consider and give fee

8. **A reduction in preventative and routine road maintenance activities between 2014-2015 to 2016-2017 affected the preservation of adequate road conditions for the public.** KSAMC's records coupled with MLGRD's annual performance reports reflected statistics on the area of roads repaired and bushed; drains and gullies cleaned; and roads patched for the period 2014-2015 to 2019-2020. Information was not presented in a consistent manner in KSAMC records to enable comparative analysis of expenditure. However, our analysis of the published data showed that road repair activities declined by 83 per cent, from 30.12 km to 5.1 km, representing 0.8 per cent of the total kilometres of parochial roads presented, over the period 2014-2015 to 2016-2017.⁶ Road patching, drain cleaning, and bushing declined by 21, 86 and 53 per cent, respectively, for the same period. In addition, KSAMC experienced a 27 per cent increase in road maintenance (PRF) expenditures over the same period (2014-2015 to 2016-2017), signaling increased costs in the values of contracts executed for less maintenance work done. There was a general increase in activities over the more recent periods (2017-2018 to 2019-2020), except for road repairs, which declined by 42.49 per cent.

Financial Year	Road Repairs m ²	Patching m ²	Drainage m ²	Bushing m ²
2019-2020	14,609.80	17,810	2419.5493	1,001,750
2018-2019	8,625.84	27,171	1878.4182	445,749
2017-2018	25,403.52	15,500	1905.1037	456,010
Total	48,639.16	60,481	6,203.0712	1,903,509
	km	m ²	km	km
2016-2017	5.1	14,710	14.129	42.1
2015-2016	5.54	20,060	14.679	121.77
2014-2015	30.12	18,600	102	90
Total	40.76	53,370	130.808	253.87

Procurement and Contract Management

9. **KSAMC's contracts management system was inadequate in capturing all critical records to facilitate efficiency and transparency.** Although KSAMC's management indicated that a contract register has been maintained since 2018, this was not presented for audit scrutiny, which hindered us from obtaining a comprehensive view of relevant contract details such as start and finish dates, contractor names, contract values and duration; information essential to the execution and monitoring of contracts awarded to enable proper accountability. In its defence, KSAMC advised that the contract register was being updated at the time of the audit. In the absence of a contracts register, KSAMC provided a listing of road works contracts, entered over the period 2014-2015 to 2018-2019, from which we identified 630 contracts, valuing \$778 million. Our assessment of the data disclosed that 54 per cent (\$422 million) of the 630 contracts represented bushing and drainage works and 46 per cent (\$356 million) road patching and rehabilitation works.

⁶ KSAMC provided a master list of 1,793 parochial roads (606 km), last updated in 1992.

Description of Works	No. of Contracts	% of Total No.	Contract Sums	% of Total Value
Bush, Clean & Desilt Verges, Roadway & Common Areas	198	32%	\$160,502,300	20.64%
Drain Cleaning, Repairs & Construction	310	49%	\$261,357,900	33.61%
Road Patching	69	11%	\$146,481,680	18.83%
Road Rehabilitation & Sidewalk Repairs	53	8%	\$209,325,475	26.92%
Grand Total	630	100%	\$777,667,355	100%

Procurement Methodology	No. of Contracts	% of Total No.	Contract Sums (\$)	% of Total Value
DC	564	89.52%	\$ 523,295,000	67.29%
DC-E	2	0.32%	\$ 1,368,000	0.18%
LT	64	10.16%	\$ 253,004,355	32.53%
	630	100.00%	\$ 777,667,355	100.00%

9.1 We identified that direct and emergency contracting procurement methodologies accounted for 89.84 per cent (566) of the 630 contracts, however we could not verify whether the allowable circumstances permitting these procurement methodologies were met as the necessary supporting documentation was not provided. We noted instances where information related to bid solicitation, bid receiving and opening, as well as the evaluation criteria were filed along with the payment vouchers in the Accounts unit and in others, were stored loosely in files created for the audit team. Additionally, KSAMC used the limited tender (LT) methodology for the award of 64 contracts (10 per cent), valuing \$253 million, but we saw no records to support the basis on which contractors were pre-selected for invitation to bid.

Conclusion

The absence of a strategic approach to road maintenance increased the risk of funds being diverted from the rehabilitation and maintenance of critical roads that serve many communities and commuters. This was demonstrated by the reduction in preventative and routine road maintenance of the parochial road network for the period 2014-2015 to 2016-2017, which heightened the possibility of sharp deterioration and risk to public safety as well as diminished the potential for economic activity, with implications for increased costs to road users. Further, by failing to ensure that its budgetary process was aligned to its planned works, KSAMC would have denied itself the opportunity to secure proper funding for road maintenance to sustain the road network. At the same time, KSAMC's failure to demonstrate an objective basis for determining road maintenance activities as well as develop and implement a comprehensive plan with priority activities and targets for road maintenance, would have limited the achievement of value for money and the provision of a quality road network.

What Should Be Done

Given the shortcomings stemming from inadequate systems of internal control, we urge the KSAMC to implement the recommendations outlined below to reduce the vulnerability of parochial road network to the risk of deterioration.

1. The MLGRD should fast-track the approval of a comprehensive long-term plan with priority activities and targets for road maintenance, to achieve and deliver a quality road network. Further, MLGRD should enforce KSAMC's submission of strategic plans for approval, as required by the Local Government (Financing and Financial Management) Act, 2016,⁷ as well as monthly work programmes reflective of planned road works, in order to facilitate MLGRD's proactive oversight. In addition, the Corporation should align its annual operational plans to its strategic plans in order to form the basis for funding requests.
2. KSAMC should develop an action plan to update its road inventory to include all parochial roads and their condition, under its jurisdiction.
3. To encourage efficiency in service delivery and provide a basis to hold staff accountable, KSAMC should develop workplans and targets to inform the coordination of activities identified in annual operational plans and to provide a basis for the assessment of staff performance.
4. KSAMC must seek to maintain an up-to-date contracts management system that integrates its manual and electronic system to facilitate retrieval, tracking and monitoring of contract data. In addition, a system that is informed by critical information on the condition of the entire parochial road network under its jurisdiction, can better guide maintenance activities. Such a system could also help to provide assurance that the length of all roads is appropriately considered by the relevant authorities, in the computation of PRF amounts due from the MLGRD, as well as provide greater transparency and accountability.

⁷ Local Government (Financing and Financial Management) Act, 2016, Section 3(1)(d)

Part 1 Introduction

Who is responsible for maintaining parochial roads?

1.1 As a function of its oversight of municipal corporations, the Ministry of Local Government and Rural Development (MLGRD)⁸ has under its purview, approximately 10,000 km⁹ of parochial roads, which represent two-thirds of Jamaica's total road network of 15,000 km. MLGRD develops policy and the legal framework, as well as provides technical and administrative assistance for the local authorities (Municipal Corporations), which carry out works related to parochial roads. The parochial road maintenance encompasses the general maintenance of the road network, which includes carrying out repairs such as patching of damaged roadways and construction of new and existing retaining structures.

1.2 The Kingston and Saint Andrew Municipal Corporation (KSAMC) is one of the fourteen local authorities which is charged with some of the responsibility of ensuring the upkeep of the nation's road network. The Corporation is empowered to make by-laws, regulations, and rules for the good governance of the two parishes, namely Kingston and St Andrew, over which they have jurisdiction. KSAMC's core mandate is to develop, manage and maintain infrastructure and public facilities such as parochial roads, water supplies, drains and gullies.

1.3 KSAMC is headed by a Chief Executive Officer who together with the General Council oversee the operations of the corporation, with all members of the KSAMC's management team¹⁰ meeting the minimum required qualification for positions held. Direct responsibility for the management of parochial roads and its infrastructure resided with the City Engineer Department, which at the time of this audit was headed by a chief engineer (City Engineer), who was supported by two assistant superintendents, one field officer and a field inspector. We also found that the City Engineering staff possessed the requisite skills and expertise to effectively carry out their duties and were exposed to various training both locally and internationally. The Department was, however, short of four critical staff (one deputy superintendent and three field officers), and KSAMC indicated that the limited staffing severely affected the efficient operation of the department.

GOJ's vision for the Country's parochial roads

1.4 The Government's vision for its road network is also aligned to the United Nations Sustainable Development Goal # 9 wherein, investment in infrastructure and innovation are crucial drivers of economic growth and development. (**Figure 1**).

⁸ Formerly, the Ministry of Local Government and Community Development (MLGRD)

⁹ National Transport Policy (page 1)

¹⁰ CEO, Chief Financial Officer, Director of Finance & Budget, Chief Engineering Officer

Figure 1 GOJ vision for parochial roads



Source: AuGD's compilation

Source of funding for KSAMC's road rehabilitation/maintenance activities

1.5 The Government implemented the Parochial Road Fund as a financing mechanism to address road construction projects and maintenance or rehabilitation programs. In keeping with regulations,¹¹ a fraction of revenues generated from motor vehicle licensing fees and property taxes, paid into the Parochial Revenue Fund (PRF), is allocated to the municipalities to be used to conduct rehabilitation/maintenance works on parochial roads.

1.6 Over the six years (2014-2015 to 2019-2020) under review, the three main sources of funding for KSAMC to cover the budget for rehabilitation/maintenance works on parochial roads were:

- Parochial Revenue Fund (PRF).
- Constituency Development Fund (CDF); and
- Equalization Fund (EQ).

1.7 As depicted in **Table 1**, KSAMC recorded a receipt of \$3.7 billion from the PRF during the period under review. Deficiencies in KSAMC's accounts record keeping hampered our verification of amounts expended from the PRF and the full amounts received and utilized from the other sources.¹² Further, as highlighted in AuGD's 2016-2017 Annual Report and reiterated in the 2018-2019 Report, poor record keeping had adversely affected the auditing of statements by our office in recent years. The 2013-2014 financial statements were the last statements submitted for review¹³ and the 2008-2009 were the most recent audited statements. Review of KSAMC's financial statements for the periods 2009-2010 to 2013-2014, earmarked to be undertaken on a World Bank project, had been delayed. The absence of current audited financial statements breached the Local Government (Financing and Financial Management) Act 2016¹⁴ and would have limited our analysis of the effective and economical use of resources.

¹¹ Local Government (Financing and Financial Management) Act, 2016, Section 14 (1-2); Road Traffic Act, 1938 (Amended, 2003) Section 15, subsection 2

¹² **Appendix 4** outlines figures reflecting the overall expenditure on road maintenance.

¹³ AuGD received the 2009-2010 to 2013-2014 financial statements on June 30, 2020

¹⁴ The Local Government (Financing and Financial Management) Act 2016 mandates that the financial statements must be laid in Parliament within three months after respective financial year ended.

Table 1 Source of funding and expenditure for rehabilitation/maintenance of parochial roads during 2014-2015 to 2019-2020

INCOME	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	TOTAL
PRF	505,460,923	536,124,925	561,609,208	629,909,566	734,138,531	707,877,720	3,675,120,873
EQ Fund	26,500,000	81,290,000	145,718,600	95,626,000	62,902,300	172,069,978	584,106,878
CDF	38,666,980	28,583,735	33,504,350	27,271,830	51,954,600	68,024,202	248,005,697
TEF	2,260,000	25,600,463	7,385,170	11,650,185	3,033,428	0	49,929,246
Total	572,887,903	671,599,123	748,217,328	764,457,581	852,028,859	947,971,900	4,557,162,694

EXPENDITURE	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	TOTAL
PRF & KSAMC Programmes	247,454,236	429,773,076	429,056,780	253,849,093	266,179,395	232,721,180	1,859,033,760
Salary Payments for Road & Works	5,862,014	6,748,661	NP	7,941,218	8,277,856	10,256,980	39,086,729
Divisional Allocation Fund	161,684,583	105,877,930	97,482,214	251,943,061	254,005,620	288,918,730	1,159,912,138
Special Grant for Repairs	0	0	0	49,510,000	77,614,400	107,849,080	234,973,480
Total PRF expenditure	415,000,833	542,399,667	526,538,994	563,243,372	606,077,271	639,745,970	3,293,006,107
EQ Fund	26,352,133	81,105,227	147,927,763	71,999,744	50,317,422	156,555,755	534,258,044
CDF	25,804,218	28,358,336	45,798,232	42,188,033	40,935,853	61,724,461	244,809,133
TEF	2,260,000	24,137,441	8,634,486	10,918,205	3,062,005	0	49,012,137
Grand Total	469,417,184	676,000,671	728,899,475	688,349,354	700,392,551	858,026,186	4,121,085,421

Source: MLGRD and KSAMC Financial data

Audit rationale, Objective, Scope and Methodology

1.8 We conducted a performance audit to assess whether the Government, through the Kingston and St. Andrew Municipal Corporation (KSAMC), had an effective quality management system for Jamaica's parochial road works. Further, the audit sought to determine whether KSAMC had adequate systems of internal controls (including procurement and contract management practices) to ensure that funds allocated for rehabilitation/maintenance are managed effectively to enable the delivery of roads that meet quality standards and the achievement of value for money. Overall, the audit assessed factors deterring the effectiveness of the quality management assurance of the roads. **Appendix 1** outlines the key audit questions used to achieve the audit objective.






1.9 We planned and conducted our performance audit in accordance with the Government Auditing Standards, which are applicable to Performance Audit, our Performance Audit Manual (2017), as well as standards issued by the International Organization of Supreme Audit Institutions (INTOSAI). Our assessment covered the period 2014-2015 to 2019-2020 and our criteria developed accordingly (**Appendix 2**). Additionally, the audit reflected specifically on two themes namely Project Management and Procurement & Contract Management, which form part of the Auditor General's strategic priorities.

1.10 The audit methodology included collecting and reviewing the KSAMC's planning and procurement documentation; reviewing and testing the contract payments; reviewing KSAMC's contract requirements, related deliverables, contract monitoring processes and documentation; conducting interviews with

KSAMC's management and staff; reviewing statutes, rules, and KSAMC's policies and procedures; and performing selected tests and other procedures for the contracts audited.

1.11 This report was prepared in accordance with professional auditing standards and sought to inform Parliament and the public in their assessment of whether parochial roads were being rehabilitated/maintained in line with quality standards. The audit findings, conclusions and recommendations do not constitute legal opinion and should not be considered as such.

2.1 Internationally, road maintenance works are classified under three main types: preventative, reactive, and emergency,¹⁵ areas under which KSAMC carried out road maintenance, which included road repairs, patching, drain cleaning and bushing. Section 5.15 of the National Transport Policy commits the Government to ensure that an appropriate balance of spending on roads between capital (new roads and major rehabilitation) and maintenance of the existing road network (routine and periodic) is maintained. Hence, up to date information on the status of the road network is important to identify and prioritise the works to ensure the best use of money to maximise value.

At A Glance			
Systems and practices	Criteria	Key Findings	Assessment Against Criteria
The General Council is collectively responsible for strategic management and oversight.	The General Council should take responsibility for the performance of the Public Body.	The General Council did not ensure that KSAMC developed long-term strategic plans for the period under review (2014-2015 to 2019-2020) in breach of the GOJ governance framework and procurement guidelines. KSAMC presented a draft strategic plan for the period 2018-2022.	
Strategic oversight by General Council.	<p>The General Council, which constitutes the fundamental base for corporate governance for the organization, should establish:</p> <ul style="list-style-type: none"> An audit committee Local Public Accounts Committee, <p>The General Council may establish sub-committees for special or general areas that it believes would be better regulated or managed by such committees.</p>	<p>The MLGRD Audit Committee was assigned audit oversight responsibility for KSAMC for a six-month period with effect from July 2020. Previously, there was no Audit Committee in place to provide oversight for audit and risk management</p> <p>A Local Public Accounts Committee (LPAC) was not established.</p> <p>There were 13 other committees, inclusive of Procurement, Finance, Evaluation, Ethics and Establishment.</p>	
<div>  MET the criteria  Met the Criteria, but improvements needed  Did not meet the criteria </div>			

KSAMC was without a vital planning document to aid effective governance of roads under its jurisdiction

2.2 As one of the municipal corporations that require significant financial resources to undertake the management of our parochial roads, it is essential for KSAMC to have clearly defined objectives relating to the quality of the parochial roads and how to achieve these. Hence, we expected KSAMC's General Council (Council) to lead the Corporation's strategic direction, by developing plans, inclusive of priority activities and targets for road maintenance and assessing those factors that may pose significant risks.¹⁶ Accordingly, KSAMC would adopt a coherent strategic approach that includes the preparation of a comprehensive long-

¹⁵ https://openjicareport.jica.go.jp/pdf/11721644_09.pdf
<https://everythingroads.com/2018/the-3-types-of-road-maintenance/>

¹⁶ Risk assessments related to road maintenance, may include procurement and contracting processes, road safety vulnerabilities and weather events to protect its road infrastructure and ensure value for money.

term road maintenance plan to inform the budget process and linked towards delivering a quality road network, taking into consideration the full scope of the corporation's expected expenditures, and designed to meet the extent of routine, preventative, and emergency repairs of the road infrastructure for each year. This would enable KSAMC to estimate the total cost to provide an acceptable road network, in order to guide long term budgeting and forecasting and signal to citizens whether the current financing model is sustainable.

2.3 However, we saw no evidence that KSAMC had in place a comprehensive plan which detailed and costed maintenance programmes for all parochial roads under its purview; while identifying financing gaps that could impact its ability to implement projects. Further, KSAMC had not developed long-term corporate plan or strategy for the period 2014-15 to 2017-18), to address the significant challenges in its operating environment and guide core activities, despite it being a statutory requirement¹⁷ for municipal corporations to prepare strategic plans, since 2016. KSAMC presented a draft Strategic Development Plan for 2018 -2022 at the time of our audit (October 2020) but is yet to provide an approved plan.

2.4 By not consistently preparing the requisite strategic plans, KSAMC failed to ensure that the public was given the opportunity to participate in the strategic direction of the corporation and prioritization of limited resources for road maintenance and rehabilitation. According to Section 4(1) of the Local Government (Financing and Financial Management) Act 2016: *"prior to submitting any strategic plan and budget to the Minister for approval under section 3(1)(d), the relevant Local Authority shall ensure that the public is given an opportunity to consider and give feedback on a draft of the strategic plan and budget proposed to be submitted"*.

Strategic planning is an effective way for KSAMC to take a more considered and longer-term view to achieving its objectives and vision

2.5 KSAMC advised that inadequate staffing impacted the Corporation's efforts to develop appropriate plans and strategies, including risk assessment and performance targets and indicated that substantial work was being undertaken in this regard. The KSAMC also informed that the Road Maintenance and Risk Management Plan will be completed within January - March 2021, while the 2020-2024 Strategic Plan would be submitted to the parent Ministry by October 31, 2020. However, at the date of this report (December 2020) KSAMC had not submitted the Strategic Plan to the MLGRD as they were "actually finalizing and fine-tuning some last edits to the plan".

2.6 KSAMC asserted that the input of the public was sought in developing its draft 2018-2022 Strategic Plan but could not substantiate this assertion. However, in compliance with the Local Governance Act, KSAMC provided a listing indicating that nine community meetings¹⁸ were held over the period March 2017 to January 2020. Documentation evidencing details of these meetings, such as agenda, minutes, and discussion points for Council meetings were not provided as KSAMC indicated that it is not the normal practice of the Corporation to take minutes at these meetings. KSAMC advised that a register and minutes would be maintained for subsequent meetings. The absence of such records points to poor record keeping on the part of KSAMC, which would undermine its effectiveness. Furthermore, the failure of the Council to approve the

¹⁷ Local Government Act - Part II Section 3 (1)(d) and Financial Guidelines to Public Bodies Section 1, subsections 1.01-1.04

¹⁸ Section 41 of the Local Governance Act states: each council shall conduct community meetings at least once in each year to report to the Local Authority's inhabitants on the Local Authorities performance and plans.

strategic plans and implement the appropriate risk strategy conveyed a lack of commitment to properly assess the maintenance needs of the parochial road network and ensure efficient allocation of scarce resources.

2.7 The KSAMC Council did not establish an Audit Committee,¹⁹ which would have played a major role in identifying and assessing risks. The import of ensuring that risks were identified and well managed was underscored by MLGRD's Internal Audit (IA) report, dated January 16, 2018²⁰ which highlighted significant risks to the achievement of KSAMC's road maintenance activities, such as: circumvention of procurement process (Force Accounts and other projects); non-conformance to departmental procedures and weak internal controls (Funding of Special Grants for Repairs) and accuracy and credibility of financial reporting.²¹ However, KSAMC did not formally outline any action plans to lessen these risks and was yet to develop its risk appetite and risk tolerance levels to guide management decision making. MLGRD's IA follow-up audit indicated that most recommendations were either partially or not implemented. By way of correspondence dated July 2020, the Ministry of Finance informed KSAMC that pending the establishment of an Audit Committee, MLGRD's audit committee would be used to oversee the Corporation's internal audit function and activities for a period of six (6) months, with effect from July 1, 2020.²²

Lack of strategic planning of budget related to road works

2.8 In a context where the budgetary process plays a critical role in ensuring that funds are channelled and used in the most efficient manner, we expected KSAMC to prepare budget and procurement plans consistent with identified needs, for the effective allocation of resources for road maintenance. It was also expected that the budget would inform its routine maintenance programme to identify and prioritise the works based on objective criteria as well as the annual plans for its procurement activities to ensure the best use of money and maximise value. However, we found that the budgeting and allocation of financial resources for road maintenance, bore no relation to identified needs. Budgets were based on trends in allocations over the years but were not aligned to KSAMC's annual road maintenance plans for the respective years. For instance, KSAMC could not provide a breakdown of the \$830 million budgeted for road and works expenditures for the 2018–2019 financial year, in relation to the established annual programme of works (Table 2).

Table 2 Budget for annual programme of works

BUDGET SUMMARY	
<u>Programme/ Sub-Programme</u>	Estimates (\$) 2018-2019
Roads and Works	561,424,473
Property Tax Related Expenditure	240,000,000
Roads and Works Admin	29,000,000
Total	830,424,473

¹⁹ Local Government (Financing and Financial Management) Act 2016 Section 31(1)

²⁰ MLGRD IA Report covered the financial years 2014-2015 to 2016-2017.

²¹ MLGRD Internal Audit (IA) dated January 16, 2018 that covered the financial years 2014-2015 to 2016-2017.

²² MLGRD letter, re: Appointment of Audit Committee dated July 06, 2020.

ANNUAL PROGRAMME OF WORKS			
Period	Type of road work	Description of Works	Estimates (\$) 2018-2019
January - March	'Repair Works'	Physical works	NP
April - August	'Mitigation Works'	Cleaning of critical drains	NP
September - November	'Repair Works'	Physical works	NP
December	Additional repairs and beautification work	Not Stated	NP

Source: AuGD's compilation of KSAMC information

2.9 KSAMC's budgets were prepared in response to the MLGRD's annual budget call. Heads of Departments (HODs) were required to estimate costs associated with all activities for their respective units, which were presented to the Council for discussion. Estimates were approved by the Finance Committee based on policy position and submitted to the MLGRD for inclusion in the Ministry's budget and final approval by the Ministry of Finance and Public Service (MoFPS). **Table 3** outlines our analysis of funds requested, approved, and received for road maintenance activities. We noted a shortfall in the amount required and amount made available.

Table 3 KSAMC's request, approval, and receipt of funds for road maintenance expenditure

Fiscal Year (\$)	Budget Request (\$)	Approved Budget (\$)	Funds Received (\$)	Difference (Shortfall)/Excess (\$)	Shortfall as percentage of amounts requested compared to amounts received (%)
2019-2020	939,467,304	1,071,864,335	775,901,922	-163,565,382	-21.08
2018-2019	830,424,473	830,424,473	852,028,859	21,604,386	2.54
2017-2018	871,260,000	821,260,000	764,457,581	-106,802,419	-13.97
2016-2017	NP	815,532,777	748,217,328	NP	-
2015-2016	660,000,000	576,878,700	671,599,123	11,599,123	1.73
2014-2015	476,327,959	566,000,000	572,887,903	96,559,944	16.85
TOTAL	3,777,479,736	3,866,427,508	3,636,875,388	-140,604,348	-3.87

Note:

1. Source of funds received – Parochial Revenue Fund (PRF), Equalisation Fund, Constituency Development Fund (CDF), Tourism Enhancement Fund (refer to **Table 1**).

2. NP - Information for 2016-2017 not provided and therefore not included in analysis of total shortfall.

Source: AuGD analysis of KSAMC's information

2.10 Further, we expected KSAMC to prepare comprehensive long-term road maintenance plans taking into consideration all expenditures required to facilitate routine, preventative and emergency repairs of the road infrastructure for each year. While budgets may not reflect the limitations of available resources, when strategic elements (preventative and routine road maintenance requirements) are properly factored into the decision-making process, it is possible to marshal and combine resources, to maximize the prospect of attaining strategic goals. Hence, to reduce the risks and costs associated with the volume and frequency of unplanned road works, we expected KSAMC to have taken a more proactive approach, towards budgeting for preventative and routine road maintenance activities by providing a link between budget and road maintenance plans. KSAMC's failure to consistently prepare annual procurement plans (to guide its budget

process) not only breached GOJ Procurement Guidelines,²³ but hindered KSAMC's ability to systematically plan for and execute its road maintenance activities in an efficient and effective manner. During the period under review, KSAMC's Procurement Unit comprised the Procurement Officer and Procurement Clerk, however, in September 2020, the Ministry of Finance and the Public Service approved the expansion of a fully staffed Procurement Unit for the KSAMC to include a Director of Public Procurement and Procurement Manager. On November 19, 2020, KSAMC shared a circular issued by the Local Government Commission dated October 27, 2020, inviting applicants to fill the positions.

2.11 KSAMC also advised that the Corporation was in the process of updating its Sustainable Development Plan and collecting data for Local Areas Sustainable Development Plans (LASDP), Road Policy and Action Plan (RPAP) in keeping with their effort towards a data-driven asset management approach, which would help to enhance the capability of linking the budget to identified needs and road maintenance programme. However, the timelines given for completing the related tasks were generally non-specific. For instance, whereas an April 2021 timeline was given for updating the RPAP, no specific date was given for the other documents, which were listed as 2 years and 2021, respectively. Additionally, the link between budget and maintenance plans was not presented.

2.12 Further, KSAMC maintained no written authority for \$7.2 million allocated annually to councillors²⁴ of the 40 divisions under its responsibility, with nine rural divisions receiving an additional \$0.5M to carry out emergency works (**Table 4**). Nonetheless, KSAMC indicated that the allocations were based on historical trends and sanctioned by the Council. Inefficiencies in KSAMC's record-keeping hindered our attempt to determine whether the amounts were allocated as stated (**Appendix 3**).

Table 4 Break-down of DAF allocation

Annual allocation to each division		
Type of Road Work	Allocation Earmarked	Source of Funds
Infrastructural Repairs	\$3mn	PRF
Employment Generation Activities	\$1.5mn	
Mitigation Activities	\$1.5mn	
Minor Works/ Monthly Bushing	\$1.2 million ²⁵	Property Tax Collections
TOTAL	\$7.2mn	
Rural divisions (9) receive additional allocation	\$0.5mn	PRF

Source: AuGD's compilation of KSAMC information

Availability and integrity of KSAMC's financial information

2.13 KSAMC obtained funding for road maintenance from funds collected from property taxes and motor vehicle licences, paid into the MLGRD-managed Equalisation Fund and Parochial Revenue Fund (PRF). Over the review period (2014-2015 to 2019-2020), MLGRD allocated \$3.7 billion from the PRF. The MLGRD is legally

²³ GOJ Handbook for Public Sector Procurement Volume 2, Appendix 1.6 "Ministry of Finance requires that every procuring entity submit a procurement plan with their Corporate and Operational plans and budgets to support the projected expenditure of their ministries. An updated copy of the previous year's plan should also be included".

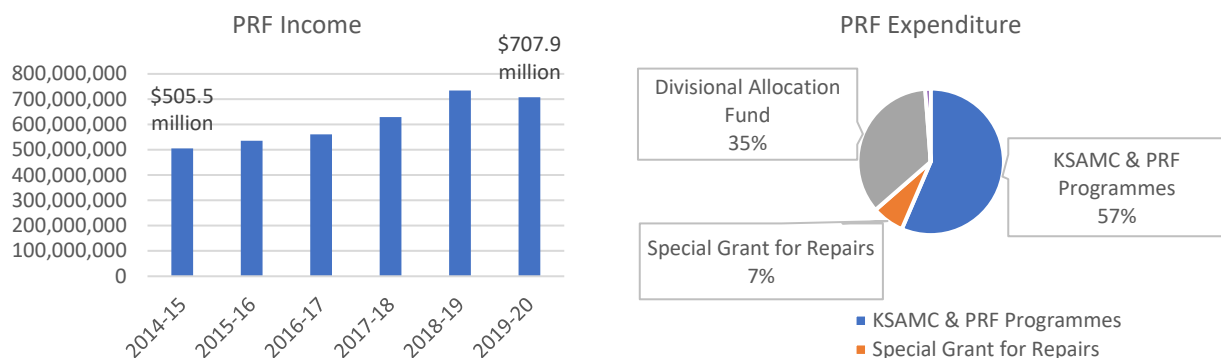
²⁴ Divisional Allocation Fund (DAF) Programme

²⁵ \$100,000 per month

required to distribute from the PRF, 75 per cent of the motor vehicle licence duties collected based on the number of miles of parochial roads in the parish, expressed as a percentage of the total number of miles of parochial roads in the Island. MLGRD was yet to provide the parochial road information on which PRF allocations per parish are determined based on the existing road schedules, despite request. Notwithstanding, KSAMC provided a master list of 1,793 parochial roads (606 km), which was last updated in 1992. However, we had no way to determine whether the amounts allocated were a fair calculation of the amounts due, given the development of additional roads and sub-divisions in the municipality since 1992, impacting the parochial road network. In October 2020, KSAMC indicated that the Corporation intended to update its road inventory.

2.14 For the period reviewed, KSAMC spent a total of \$3.3 billion on PRF expenditures, of which \$3.25 billion was used for road works maintenance activities (physical repairs, critical drain cleaning and bushing) with the remaining \$0.05 billion representing administration costs (**Figure 2 & Table 5**).

Figure 2 PRF Income and Expenditures



Source: MLGRD and KSAMC Financial data

2.15 KSAMC presented schedules and ledger postings as a means of providing evidence of financial activities regarding parochial roads. However, KSAMC could not confirm that the figures reflected in the records were true and could be relied on. For instance, KSAMC could not explain the variances cited between its general ledger and subsidiary records, as it related to the PRF expenditures. Our analysis established that there were variances amounting to \$389.6 million between accounting records regarding total spent (**Table 5**).

Table 5 Discrepancies in KSAMC's accounting records

KSAMC: PRF Expenditures							
GENERAL LEDGER	2014-2015	2015-2016	2016-2017	2017-2018	2018-2019	2019-2020	TOTAL
Total KSAMC & PRF	247,454,236	429,773,076	429,056,780	253,849,093	266,179,395	232,721,180	1,859,033,759
Special Grant for Repairs (SGR)	-	-	-	49,510,000	77,614,400	107,849,080	234,973,480
Divisional Allocation (DAF)	161,684,583	105,877,930	97,482,214	251,943,061	254,005,620	288,918,730	1,159,912,138
Administration Cost	5,862,014	6,748,661	NP	7,941,218	8,277,856	10,256,980	39,086,729
TOTAL	415,000,832	542,399,667	526,538,994	563,243,371	606,077,271	639,745,970	3,293,006,106
SUBSIDIARY RECORDS							
Total KSAMC & PRF	364,484,828	549,822,687	514,159,380	305,589,093	303,327,995	264,223,980	2,301,607,963
Special Grant for Repairs (SGR)	-	-	-	-	77,605,400	104,574,080	182,179,480
Divisional Allocation (DAF)	161,619,583	106,043,430	97,482,214	252,320,161	253,375,620	288,918,220	1,159,759,227
Administration Cost	5,862,014	6,748,661	NP	7,941,218	8,277,856	10,256,980	39,086,729
TOTAL	531,966,425	662,614,778	611,641,594	565,850,471	642,586,871	667,973,260	3,682,633,400
VARIANCES	-116,965,592	-120,215,112	-85,102,600	-2,607,100	-36,509,600	-28,227,290	-389,627,294

Source: AuGD's compilation and analysis of KSAMC financial data

2.16 Further analysis of KSAMC's financial data as it related to the PRF, disclosed a surplus of receipt (\$0.4 billion) over expenditure, which raises concerns regarding the credibility of KSAMC's accounting records and suggests that controls were ineffective in ensuring the accuracy of actual amounts received and disbursed (**Table 6, Appendix 4**). This accuracy of information related to the PRF is also of particular significance in a context where our review of Council minutes, revealed frequent complaints of insufficient funds being made available to address road issues. In responding to our concern regarding the accuracy of the PRF records, KSAMC advised that many PRF payments were incorrectly classified and posted to other accounts and required adjustment. However, KSAMC is yet to present the required journal entries to allow for verification of accounting adjustments.

Table 6 KSAMC spent \$382 million (\$0.4 billion) less than the recorded PRF received during the period 2014 - 2020

KSAMC PRF Income compared to expenditure								
INCOME	2014-2015	2015-2016	2016-2017	2017-2018	2018-2019	2019-2020	TOTAL	% of Total
PRF	505,460,923	536,124,925	561,609,208	629,909,566	734,138,531	707,877,720	3,675,120,873	
EXPENDITURE (as per G/L)								
KSAMC & PRF Programmes	247,454,236	429,773,076	429,056,780	253,849,093	266,179,395	232,721,180	1,859,033,760	56.45%
Special Grant for Repairs	NP	NP	NP	49,510,000	77,614,400	107,849,080	234,973,480	7.14%
Divisional Allocation Fund	161,684,583	105,877,930	97,482,214	251,943,061	254,005,620	288,918,730	1,159,912,138	35.22%
Administration Cost	5,862,014	6,748,661	NP	7,941,218	8,277,856	10,256,980	39,086,729	1.19%
Total PRF Expenditure	415,000,833	542,399,667	526,538,994	563,243,372	606,077,271	639,745,970	3,293,006,107	100.00%
NET	90,460,090	-6,274,742	35,070,214	66,666,194	128,061,260	68,131,750	382,114,766	

Source: AuGD's assessment of KSAMC financial data

Targeting of roads to be rehabilitated/maintained

2.17 The methodology used by KSAMC in deciding on road maintenance projects for routine mitigation works was founded on long standing practices of the Corporation and not on documented policy. KSAMC could not substantiate verbal assertions that the road maintenance projects were determined based on reports from residents, submissions by councillors, and verification of the recommended list of roads by its field officers (Refer to flow chart at **Appendix 5**). Further, the Corporation could not confirm with regards to economy, that focus was placed on roads located in the vicinity of the business district, based on associated economic gains; and on link roads, that facilitated the easing of congestion on main roads. The National Development Plan (NDP) Vision 2030 states that “Road maintenance will be prioritized based on economic and social criteria, including consideration of the relative costs and benefits of primary, secondary and tertiary road networks²⁶. In the absence of documentation of discussion points at community meetings held, KSAMC could not demonstrate that any consultations were conducted to assess the impact of road maintenance on social conditions within the community. Also, KSAMC did not provide evidence regarding selection and prioritization of works undertaken and the criteria that informed the final selection and prioritization of road projects conducted, despite request. Therefore, we were not able to determine that the established guidelines were utilized, which would have provided assurance that priority was given to the roads in greatest need of repair or would impact most positively on the welfare of the public. In responding to our audit observation and comments, KSAMC accepted that there were weaknesses in the documentation of the deliberations and indicated that steps would be taken to correct the deficiencies.

Standards for planning and conducting road works

2.18 Although KSAMC advised that operating activities were guided by the National Works Agency’s (NWA) quality standards, we found that the Corporation did not have documented policy(s) and/or related Standard Operating Procedures (SOPs) to substantiate this assertion. This deficiency matters because policies, guidelines, and procedures should inform staff, guide public expectations for development and delivery of quality parochial roads; and contribute to more efficient and effective use of scarce resources. KSAMC considers that it would not be meaningful to set its own Standard Operating Procedures (SOP) because the NWA, that had overall responsibility for setting the standards and specifications for road works, had already done so. Notwithstanding stating that KSAMC adopted these standards in undertaking road repairs, they could not confirm adherence. KSAMC indicated that the NWA standards would be adopted in the Corporation’s Road Policy document by April 2021.

2.19 In October 2020, KSAMC provided signed copies of inspection reports for May and June 2020 (**Appendix 6**), along with an undated schedule titled ‘Collector Road²⁷ Inspection Schedule and Road Status’, which listed the last inspection date of some collector roads covering the period March 2020 to present, with scoring (for state of road) and recommendation. However, KSAMC had no such information for the community roads and inspection reports for previous periods, to allow verification as to whether the inspection recommendations were utilised in determining maintenance activities. KSAMC responded that it has been developing a database of its road system, which includes scheduled inspection and the preparation and submission of inspection reports that guide road works decision; this should be finalized by February 2021.

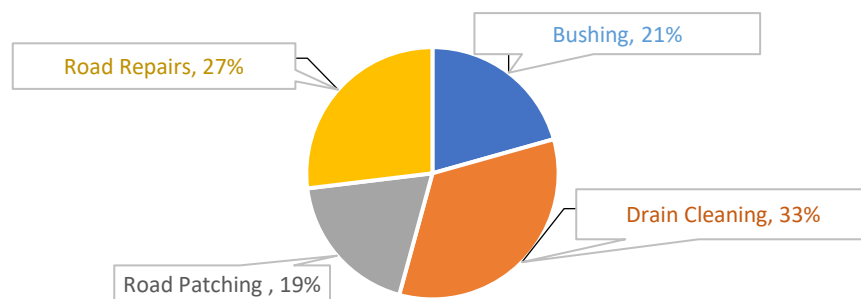
²⁶ (9-1 Expand and Rationalize Land Transport Infrastructure and Services)

²⁷ Collector road (also known as distributor or link road) means a road that carries traffic from minor roads to main roads. Collector roads facilitate the easing of congestion on main roads

2.20 As depicted in **Table 7**, KSAMC operated in a reactive mode in road maintenance activities to enhance longevity and keep road users safe, evidenced by 73 per cent of contract sums accounting for reactive road works.

Table 7 Types of road maintenance undertaken by KSAMC as per 630 contracts awarded during the period 2014-2019

Types of Road Maintenance ²⁸	KSAMC - Types of Road Work	Description	KSAMC Standard	Percentage of Contract Sums (\$)
Preventative	Road Repairs	More costly resurfacing of roads and construction of infrastructure	Policy position not stated.	27%
Reactive	Road Patching	More cost effective than road repairs and involves less costly act of fixing road defects as they occur, such as potholes, cracks.	Road works done frequently.	73%
	Drain Cleaning	Cleaning road drains, gullies, verges		
	Bushing	Overhanging trees, sidewalk bush etc		
Emergency	All Types	Unforeseen events, natural disaster, road slippage etc	Special Grant for Repairs (SGR) funds reserved for this purpose.	Emergency works subsumed within preventative and reactive road works.



Source: AuGD's analysis

KSAMC had no performance indicators to enable an assessment of its performance across its road network

2.21 KSAMC did not compile sufficient information to determine how well it performed regarding the maintenance of the parochial roads, under its purview. KSAMC had no performance indicators in place and road-condition data such as the strength or road worthiness of the road network were unavailable to conclude on whether road conditions were improving. We noted that while MLGRD reported on various road repair and maintenance activities in its annual performance reports based on information requested from the

²⁸ https://openjicareport.jica.go.jp/pdf/11721644_09.pdf
<https://everythingroads.com/2018/the-3-types-of-road-maintenance/>

KSAMC; there was no analytic framework to determine the extent to which the parochial road network was being maintained, or the actual value and benefit to the public.

2.22 KSAMC's documentation along with MLGRD's annual performance reports reflected statistics on the area of roads repaired and bushed; drains and gullies cleaned; and roads patched for the period 2014-2015 to 2019-2020 (**Table 8**). Information was not presented in a consistent manner in KSAMC records to enable comparative analysis of expenditure. However, our analysis of the published data showed that road repair activities declined by 83 per cent, from 30.12km to 5.1km, representing 0.8 per cent of the total kilometres of parochial roads presented, over the period 2014-2015 to 2016-2017.²⁹ Road patching, drain cleaning, and bushing fell by 21 per cent, 86 per cent and 53 per cent, respectively, for the same period. In addition, KSAMC experienced a 27 per cent increase in the value of road maintenance (PRF) expenditures over the same period (2014-2015 to 2016-2017),³⁰ signalling increased costs in the values of contracts executed for less maintenance work done. There was a general increase in activities over the more recent periods (2017-2018 to 2019-2020), except for road repairs, which declined by 42.49 per cent.

Table 8 KSAMC's report to MLGRD for works carried out on parochial road network from funds received from the PRF and Equalization Fund

Financial Year	Road Repairs*	Patching	Drainage**	Bushing
	m ²	m ²	m ²	m ²
2019-2020	14,609.80	17,810	2419.5493	1,001,750
2018-2019	8,625.84	27,171	1878.4182	445,749
2017-2018	25,403.52	15,500	1905.1037	456,010
Total	48,639.16	60,481	6203.0712	1,903,509
	km	m ²	km	km
2016-2017	5.1	14,710	14.129	42.1
2015-2016	5.54	20,060	14.679	121.77
2014-2015	30.12	18,600	102	90
Total	40.76	53,370	130.808	253.87

Note: *Road repairs comprised of marling (m³) converted to (m²), and resurfacing (m²)

**Data provided in m³ converted to m²

Source: KSAMC documents & MLGRD Performance Reports

2.23 Additionally, KSAMC did not present evidence of inspection checklists and logs used by field officers, to verify whether each phase of road works completed, complied with requirements. This information is critical to determine the extent and physical condition of the parochial road network, informing the corporation of whether road works undertaken were aligned with works contracted, ensuring cost-effective correction of poor road conditions. Further, without the requisite inspection schedule and reports, we were unable to determine how field officers executed their duties of conducting site visits and consultations.

²⁹ KSAMC provided a master list of 1,793 parochial roads (606 km), last updated in 1992.

³⁰ As per KSAMC general Ledger

Preparation of KSAMC's PRF Routine Maintenance Work Programmes and Progress Reports

2.24 KSAMC developed and submitted to the MLGRD, monthly work programmes, a key requirement for the disbursement from the PRF. We expected that these monthly programmes would reflect planned road works to be undertaken.³¹ However, we found that instead of preparing work programmes, KSAMC utilized records of actual works undertaken as a proxy for planned works.

2.25 In preparing the work programmes, KSAMC extracted and collated details of work performed in previous months, or at the beginning of the respective months, from a master excel spreadsheet used to track road work activities. In so doing, officers ensured that the aggregate value of bills selected, amounted to the sum the MLGRD advised would be transferred from the PRF to KSAMC's account. Consequently, information included on monthly progress reports,³² which were submitted quarterly to the MLGRD, reflected the exact information and values as the monthly work programmes. For example, the \$447.3 million and \$479.1 million, budgeted for 2017-2018 and 2018-2019 respectively, were reported as spent as per the progress reports (**Table 9** and **Appendix 8**).

Among other things, KSAMC's routine maintenance work programmes and progress reports outlined the name of roads, the division, the type of rehabilitation/maintenance undertaken, along with the cost of the repair

Table 9 : PRF Allocation/Expenditure (as per Monthly Work Programmes and Progress Reports) 2017-2018 to 2018-2019

F/Y	Values (\$) as Per	
	Work Programme	Progress Reports
2017-2018	447,321,707	447,321,707
2018-2019	479,123,785	479,123,785

Source: KSAMC Financial data

2.26 Given that the MLGRD is required to review work programmes submitted by the Corporation and provide recommendation of the programmes to be either approved or amended, KSAMC's failure to submit planned road works, would have hindered the MLGRD's ability to proactively monitor planned road maintenance activities. MLGRD's monitoring role was thereby reduced to a reactive mechanism, limited to the receipt of monthly work programmes that did not represent planned works and was deprived of a basis to determine whether targets were achieved.

2.27 On the other hand, we expected that MLGRD, as part of its monitoring role, would have taken steps to verify that the reported road works were done. This is important in a context where the continued disbursement of the PRF hinged on the submission of work programmes. However, MLGRD was not proactively monitoring and conducting follow-up to verify that funds disbursed from the PRF were being utilised as per the approved monthly works programmes. Inadequate levels of planned maintenance increased the risk of the road network deteriorating and further increases the cost and frequency of road

³¹ Extracted from Vision 2030 NDP states that "Road maintenance will be prioritized based on economic and social criteria, including consideration of the relative costs and benefits of primary, secondary and tertiary road networks (9-1 Expand and Rationalize Land Transport Infrastructure and Services)

³² Monthly progress reports served as the source of aggregate totals at financial year-end for compilation of the Ministry's annual performance report.

repairs and corrective works. In response to our audit observations, KSAMC indicated that they were working towards an agreement with MLGRD that a schedule of planned work had to be provided before KSAMC commences road improvement works. The agreed position was scheduled to be finalized by November 2020.

Assessment of KSAMC's PRF Routine Maintenance Work Programmes and Progress Reports

2.28 We analysed work programmes and corresponding progress reports related to the years 2017-2018 and 2018-2019 and sought to assess the credibility of the information shown on the documents and determine whether the works reflected on the programmes were conducted as reported on the progress reports. KSAMC presented us with 30 work programmes (October 2016 – March 2019) and 27 progress reports (January 2017 – March 2019). Up to the date of this audit report, programmes and progress reports covering period 2019-2020 were not presented, hence we were not able to determine how programme activities were conducted for that period.

2.29 The analysis for 2017-2018 to 2018-2019 revealed that parochial road maintenance activities performed over both years totalled \$926 million³³ and reflected a seven per cent increase of \$31.8 million in the latter year. It was also noted that KSAMC did not include in its progress reports, information relating to the expenditure for Emergency and Administration Fees (**Table 10**).

Table 10 Information not disclosed in progress reports

PRF ACTIVITY	2017-2018	2018-2019	TOTAL	Value of Change	% Change	AuGD Comment
Road Works (65% of PRF)	447,321,707	479,123,785	926,445,492	31,802,078		-
Emergency (20%)	137,637,449	147,422,704	285,060,153	9,785,255	7.11%	Not disclosed
Administration Fees (15%)	103,228,087	110,567,028	213,795,115	7,338,941		Not disclosed
GRAND TOTAL	688,187,243	737,113,517	1,425,300,760	48,926,274		

Source: AuGD's compilation of KSAMC's information

2.30 The following are further findings from our analysis:

- A. There was occurrence of the same named roads, with the same work for same value reflected either in different months or calendar years (**Tables 11 & 12**). These observations cast doubt regarding whether these works were done, and the methodology applied by KSAMC in matching the cost of the road works to the approved budget.

³³ Exclusive of emergency and administration fees.

Table 11: Repeat works in same month

F/Y	MONTH	DIVISION	ROAD NAME	DESCRIPTION OF WORK	VALUE OF WORKS (\$)	No. Of Times Same Work Planned in Same Month
2017-2018	April	KSAMC	St Peters	R/Way	840,000	2
		Whitfield Town	Whitfield Avenue	Drain Cleaning	725,000	2
	June	Mavis Bank	Guava Ridge	Drain Cleaning	500,000	2
		Paynelands	Section of Boucher Gully	Drain Cleaning	900,000	2
	Nov	KSAMC	Luke Lane	Bush, Clean & Desilt Roadway	1,120,000	2
	Mar	Vineyard Town	Lexington Avenue	Drain Cleaning	600,000	2
		Sub-total			4,685,000.00	12
2018-2019	April	KSAMC	New Chapel Lane	Drain Cleaning	1,510,000	2
	May	KSAMC	Cheltenham Avenue	Drain Cleaning	1,250,000	2
	Oct	KSAMC	Love Lane	Bush & Clean	928,000	2
		KSAMC	Rose Lane	Drain Cleaning	900,000	2
		KSAMC	Mind Peace Road	Clear Slippages	840,000	2
		Sub-total			5,428,000	10
		TOTAL			10,113,000	22

Source: AuGD's compilation of KSAMC's information

Table 12: Exact values appearing in different month and different years

F/Y	MONTH	DIVISION	ROAD NAME	ACTIVITY	VALUE (\$)
2017-2018	Jul. 2017	Barbican	Lower East Great House Circle	Road Patching	1,242,000
	Aug. 2017	Barbican	Lower East Great House Circle	Road Patching	1,242,000
	Jul. 2017	Mona	Section of Highlight View Road	Road Rehab	4,695,000
	Aug. 2017	Mona	Section of Highlight View Road	Road Rehab	4,695,000
	Oct. 2017	Whitehall	Three Views Avenue	Road Patching	1,990,000
	Nov. 2017	Whitehall	Three Views Avenue	Road Patching	1,990,000
			Sub-Total		15,854,000
2018-2019	Nov. 2018	Cassia Park	Bayardo Avenue	Road Repair	3,023,500
	Feb. 2019	Cassia Park	Bayardo Avenue	Road Repair	3,023,500
	Nov. 2018	Dallas	Section of Greenvale Road	Road Repair	3,261,800
	Mar. 2019	Dallas	Section of Greenvale Road	Road Repair	3,261,800
	Nov. 2018	Norbrook	Shortwood Avenue	Road Repair	3,058,000
	Feb. 2019	Norbrook	Shortwood Avenue	Road Repair	3,058,000
	Nov. 2018	Paynelands	Oakland Drive	Road Repair	4,029,750
	Feb. 2019	Paynelands	Oakland Drive	Road Repair	4,029,750
	Nov. 2018	Rae Town	Alexander Street	Road Repair	3,215,000
	Mar. 2019	Rae Town	Alexander Street	Road Repair	3,215,000
	Nov. 2018	Red Hills	Pear Hill Road	Road Repair	1,160,000
	Feb. 2019	Red Hills	Pear Hill Road	Road Repair	1,160,000
	Nov. 2018	Red Hills	Walkers Hill Road	Road Repair	1,802,500
	Feb. 2019	Red Hills	Walkers Hill Road	Road Repair	1,802,500
	Nov. 2018	Red Hills	Section of Rockpond Road	Road Repair	1,185,000
	Feb. 2019	Red Hills	Section of Rockpond Road	Road Repair	1,185,000
	Nov. 2018	Seaview Gardens	Wenchman Road	Road Repair	3,034,000
	Mar. 2019	Seaview Gardens	Wenchman Road	Road Repair	3,034,000
			Sub-Total		47,539,100
			TOTAL		63,393,100

Source: AuGD's compilation of KSAMC's information

- B. An aggregate cost of \$1.4 million was classified as 'Rehabilitated Roads Maintenance Programme'. While the periods January to December 2018 and January to March 2017 did not mention specific road names under this heading, the period April to December 2017, indicated that monies were expended in relation to three roads, namely, Jackalyn, St. Peters School Road, and Houshing Drive (**Table 13**). There was no mention of the type of road work undertaken, making it difficult to track contract payments. In a context where both documents were prepared after actual works were undertaken, it is not clear why the requisite information was missing.

Table 13 Roads Maintenance activities with road names and type of road work not stated

	MONTH	AMOUNT (\$)	ACTIVITY
2017-2018	January	40,978	REHABILITATED ROADS MAINTENANCE PROGRAMME
	February	27,220	
	March	48,441	
Sub-Total		116,639	
	April	157,240	REHABILITATED ROADS MAINTENANCE PROGRAMME - (Jackalyn, St. Peters School Road, and Houshing Drive)
	May	44,285	
	June	46,380	
	July	26,091	
	Aug	44,996	
	September	40,527	
	October	33,795	
	November	78,880	
	December	31,524	
Sub-Total		503,718	
	TOTAL	620,357	
2018-2019	April	94,225	REHABILITATED ROADS MAINTENANCE PROGRAMME
	May	95,411	
	June	88,599	
	July	70,787	
	Aug	21,437	
	September	90,439	
	October	66,381	
	November	37,580	
	December	28,539	
	January	26,087	
	February	59,039	
	March	53,332	
	TOTAL	731,856	
GRAND TOTAL		1,352,213	

Source: AuGD's compilation of KSAMC's information

Weak system to account for Special Grant for Repairs

2.31 During the period October 2016 to March 2019, KSAMC reserved \$341 million as Special Grant for Repairs (SGR).³⁴ This represented 20 per cent of the \$1.7 million PRF-allocation for that period,³⁵ to respond to road repair emergencies. KSAMC maintained an investment account to which the amounts were deposited. However, we found that KSAMC could not adequately support the lodgements and withdrawals from the account because the money was co-mingled with funds from other sources,³⁶ making it difficult to identify how the amounts set aside were used and the amounts unspent at the end of the period. For example, based on the expenditure identified in the ledger, \$127 million was spent during 2017-2019 and the total balance reflected in the investment account on March 31, 2019 was \$228 million, but the co-mingling of funds made it difficult to ascertain how much was in the account for the SGR at any given time (March 2019).

Poor oversight of KSAMC's operations and inadequate staff appraisal

2.32 The Corporation maintained a functional Internal Audit Unit; however, audit plans and reports were submitted to the CEO only. Further, KSAMC did not establish a Local Public Accounts Committee (LPAC), in the absence of which, KSAMC not only breached the Law³⁷ but hampered the Council's ability to meet its responsibilities of ensuring the adequacy and effectiveness of the financial reporting and internal control systems of the Corporation. The Council had established 13 other committees, inclusive of Procurement, Finance, Evaluation, Ethics and Establishment. Except for the Ethics committee, minutes were submitted to substantiate functionality of the committees.

2.33 The KSAMC Council did not establish the Audit or Risk Committees, which would have assisted in identifying and assessing risks through the development of an enterprise risk management strategy to better guide management's decision making. For instance, KSAMC Council and management failed to identify and assess key risks related to road maintenance activities, such as procurement and contracting process, road safety vulnerabilities and weather events to protect its road infrastructure and ensure value for money. These poor oversight mechanisms meant that the Council would be unable to demonstrate a sound understanding of how KSAMC was performing across all its activities. Further, KSAMC neither submitted, nor did the portfolio Ministry request, annual reports for submission to the responsible Minister, in breach of the Law.³⁸ Failure to prepare and submit to the Minister, the annual report for tabling in the House of Representatives, limited Parliament's, and successive portfolio ministries' oversight responsibilities to assess KSAMC's operational performance.

2.34 Additionally, we found that the general absence of workplans limited KSAMC's ability to monitor and hold staff to account for their performance. Given the nature of the services provided, we expected that

³⁴ The Parochial Roads Act 1932-Section 16, "The Parish Council of each parish may, at any meeting held after the first day of October in each year and before the first meeting in January, allot a sum not exceeding four-fifths of the whole amount applicable within the year for parochial road purposes within such parish, among the several districts and bridges within such districts respectively. The residue of the moneys aforesaid not so allotted shall be retained for subsequent allotment from time to time by the Parish Council or special grants for repairs from time to time under the authority of the Parish Council as unforeseen requirements become known

³⁵ KSAMC did not account for Special Grants for Repairs prior to October 2016

³⁶ Revenue sources: sale of property, trust funds, parking fees; etc.

³⁷ Local Governance Act 2016 Section 38 sub-section 5

³⁸ Local Government (Financing and Financial Management) Act 2016 Section 6, sub-sections (3) and (4)

the team of officers³⁹ responsible for managing parochial roads would have a clear mandate and well-defined responsibilities to ensure the proper repair/maintenance of roads and infrastructure. However, we found that KSAMC did not establish annual work plans to inform the Corporation and officers of the associated performance targets and outputs for individuals, and by extension the City Engineering Department. For instance, KSAMC's Chief Engineering Officer was responsible for road maintenance related activities, but clear performance measures were not used to set goals and targets to hold the officer accountable. Our review of 12 performance evaluation reports (PERs), inclusive of that for the CEO,⁴⁰ revealed that employees were merely assessed on expected duties and competencies, with no mention made of established deliverables; the evaluations were performed to facilitate employees obtaining appointments and allowances. Moreover, the performance evaluations were not faithfully completed in breach of the Municipal and Parish Services Commission Circular.⁴¹ PERs for 6 of the 12 officers in our sample, were outstanding for periods ranging from 6 months to 11 years, with the Chief Engineering Officer most recent appraisal being for the period May - December 2017 (**Appendix 7**). Continuous and up-to-date appraisal of the Chief Engineering Officer is vital, in a context where this officer plays an essential role in road maintenance activities.

³⁹ The City Engineering Department is headed by a Chief Engineer who has a team consisting of one (1) Assistant Superintendent, one (1) Assistant Superintendent (temporary), two (2) Field Officers and a Field Inspector (trainee)

⁴⁰ PERs examined (12): R&W Dept. 8 and CEO, Procurement Officer, Chief Financial Officer (Acting) and Director of Finance & Budget.

⁴¹ The Circular dated October 16, 2012 required all parish councils to prepare PERs on a semi-annual basis.

Procurement and management of road work contracts

3.1 Although KSAMC's management indicated that a contract register has been maintained since 2018, this was not presented for audit scrutiny. Hence, we were unable to obtain a comprehensive view of relevant contract details such as start and finish dates, contractor names, contract values and duration; information essential to the execution and monitoring of contracts awarded to enable proper accountability. In its defence, KSAMC advised that the contract register was being updated at the time of the audit.

3.2 In the absence of a contracts register, KSAMC provided a listing of road works contracts, entered over the period 2014-2015 to 2018-2019, from which we identified 630 contracts, valuing \$778 million. Our assessment of the data disclosed that 54 per cent (\$422 million) of the 630 contracts represented bushing and drainage works and 46 per cent (\$356 million) road patching and rehabilitation works (**Table 14**).

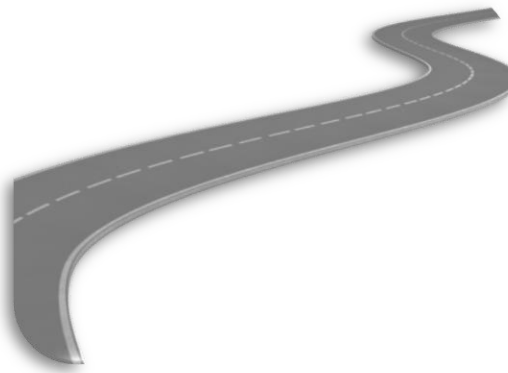
Table 14 Contract and procurement details 2014-2015 to 2018-2019

Description of Road Works	No. of Contracts	% of Total No.	Contract Sums	% of Total Value
Bush, Clean & Desilt Verges, Roadway & Common Areas	198	32%	\$160,502,300	20.64%
Drain Cleaning, Repairs & Construction	310	49%	\$261,357,900	33.61%
Road Patching	69	11%	\$146,481,680	18.83%
Road Rehabilitation & Sidewalk Repairs	53	8%	\$209,325,475	26.92%
Grand Total	630	100%	\$777,667,355	100%

Procurement Methodology	No. of Contracts	% of Total No.	Contract Sums (\$)	% of Total Value
DC	564	89.52%	\$ 523,295,000	67.29%
DC-E	2	0.32%	\$ 1,368,000	0.18%
LT	<u>64</u>	<u>10.16%</u>	<u>\$ 253,004,355</u>	<u>32.53%</u>
	630	100.00%	\$ 777,667,355	100.00%

Source: AuGD's compilation of KSAMC's information

3.3 We found that direct and emergency contracting procurement methodologies accounted for 89.84% (566) of the 630 contracts, however we could not verify whether the allowable circumstances permitting these procurement methodologies were met as the supporting documentation was not always on file. We noted where information related to bid solicitation, bid receiving and opening, and the evaluation criteria were, in some instances, filed along with the payment vouchers in the accounts unit and in others, stored loosely in files created for the audit team. Also, KSAMC used the limited tender (LT) methodology for the award of 64 contracts (10 per cent), valuing \$253 million, but we saw no records to support the basis on which contractors were pre-selected for invitation to bid.



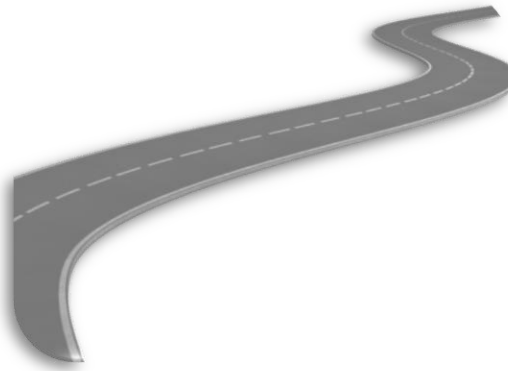
4.1 The MLGRD should fast-track the approval of a comprehensive long-term plan with priority activities and targets for road maintenance, to achieve and deliver a quality road network. Further, MLGRD should enforce KSAMC's submission of strategic plans for approval, as required by the Local Government (Financing and Financial Management) Act, 2016,⁴² as well as monthly work programmes reflective of planned road works, in order to facilitate MLGRD's proactive oversight. In addition, the Corporation should align its annual operational plans to its strategic plans in order to form the basis for funding requests.

4.2 KSAMC should develop an action plan to update its road inventory to include all parochial roads and their condition, under its jurisdiction.

4.3 To encourage efficiency in service delivery and provide a basis to hold staff accountable, KSAMC should develop workplans and targets to inform the coordination of activities identified in annual operational plans and to provide a basis for the assessment of staff performance.

4.4 KSAMC must seek to maintain an up-to-date contracts management system that integrates its manual and electronic system to facilitate retrieval, tracking and monitoring of contract data. In addition, a system that is informed by critical information on the condition of the entire parochial road network under its jurisdiction, can better guide maintenance activities. Such a system could also help to provide assurance that the length of all roads is appropriately considered by the relevant authorities, in the computation of PRF amounts due from the MLGRD, as well as provide greater transparency and accountability.

⁴² Local Government (Financing and Financial Management) Act, 2016, Section 3(1)(d)



Appendices

Appendix 1: Audit Questions and Area of Focus

Key Question: Is there economic, effective, and efficient maintenance of parochial roads under KSAMC's administration?

Level 2	Level 3	Area of Focus
1. Are there clear policy directives and established management frameworks?	1.1 Are there entity-wide Management Objectives and Action Plans for the development of parochial roads?	<ul style="list-style-type: none"> Policy, Cabinet and or Portfolio Minister directives (Linkages between maintenance of parochial roads and contribution to the national outcome) Criteria/policy for selecting roads for repair
	1.2 Is there a systematic approach in the allocation of funding for parochial road maintenance?	<ul style="list-style-type: none"> Budget planning Funds allocated on priority basis Allocation and use of funds Funds availability for parochial roads rehabilitation
2. Is there a system to achieve quality assurance?	2.1 Are the roles and responsibilities of officers clearly defined regarding monitoring and oversight of road works?	<ul style="list-style-type: none"> Roles and responsibilities Available skillsets & requisite tools to efficiently perform job function Staff training Performance measured against expected output
	2.2 Is there a quality management system in place to assure the delivery of quality roads?	<ul style="list-style-type: none"> Contract award process/Contractor suitability Systems to monitor works in accordance with standards/specifications
	2.3 Does the system address inspection, testing and evaluation of road works done?	<ul style="list-style-type: none"> Quality Assurance (SOPs, Policy guidelines, monitoring and assessment/evaluation of contractors' performance)

Appendix 2: Audit Criteria and Source

Question	Criteria	Source
Are there entity-wide Management Objectives and Action Plans for the development of parochial roads?	MLGRD should establish an institutional framework to support the implementation of GOJ's 2030 vision for parochial roads	MLGRD/KSAMC Strategic Business and Operational Plans. KSAMC's work programmes
Is there a systematic approach to the allocation of funds for parochial road maintenance?	MoFPS should prioritize the allocation of resources to rehabilitate parochial roads	MLGRD: <ul style="list-style-type: none"> • Parochial Revenue Fund and • Equalization Fund
Are the roles and responsibilities of officers clearly defined regarding monitoring and oversight of road works?	Officers assigned to manage road works should have the requisite skillset and knowledge to efficiently perform job function.	KSAMC's Human Resource Department
Is there a quality management system in place to assure the delivery of quality roads?	KSAMC should have mechanisms and guidelines for ensuring that roads are rehabilitated to quality	<ul style="list-style-type: none"> • GOJ Procurement Guidelines • NWA quality standards
Does the system address inspection, testing and evaluation of road works done?	KSAMC should have guidelines for monitoring to facilitate the evaluation of road work	KSAMC's Standard Operating Procedure

Appendix 3: Categories of expenditure, details of funding and levels of approval

AUTHORITY	SOURCE OF FUNDS	APPROVAL SOUGHT
Divisional Allocation Fund	Parochial Revenue Fund	Councillors makes recommendation to Chief Engineering Officer who conducts inspection and then makes recommendation to the CEO. If approved by CEO, then recommendation for final approval is sought from the DAF Chairperson.
Emergency Fund (PRF)	Parochial Revenue Fund	Minister/Permanent Secretary
Equalization Fund	Property Tax	Minister/Permanent Secretary
KSAMC Programme	Parochial Revenue Fund	Chief Engineering Officer makes recommendation to CEO based on inspection. If approved by CEO, recommendation for final approval by Chairman of Council
Mitigation (PRF)	Parochial Revenue Fund	Chief Engineering Officer makes recommendation to CEO based on inspection. If approved by CEO, recommendation for final approval by Chairman of Council
Monthly	Property Tax	Chief Engineer recommends to CEO for final approval by DAF Chairman
Parochial Revenue Fund	Parochial Revenue Fund	Chief Engineering Officer makes recommendation to CEO based on inspection. If approved by CEO, recommendation for final approval by Chairman of Council

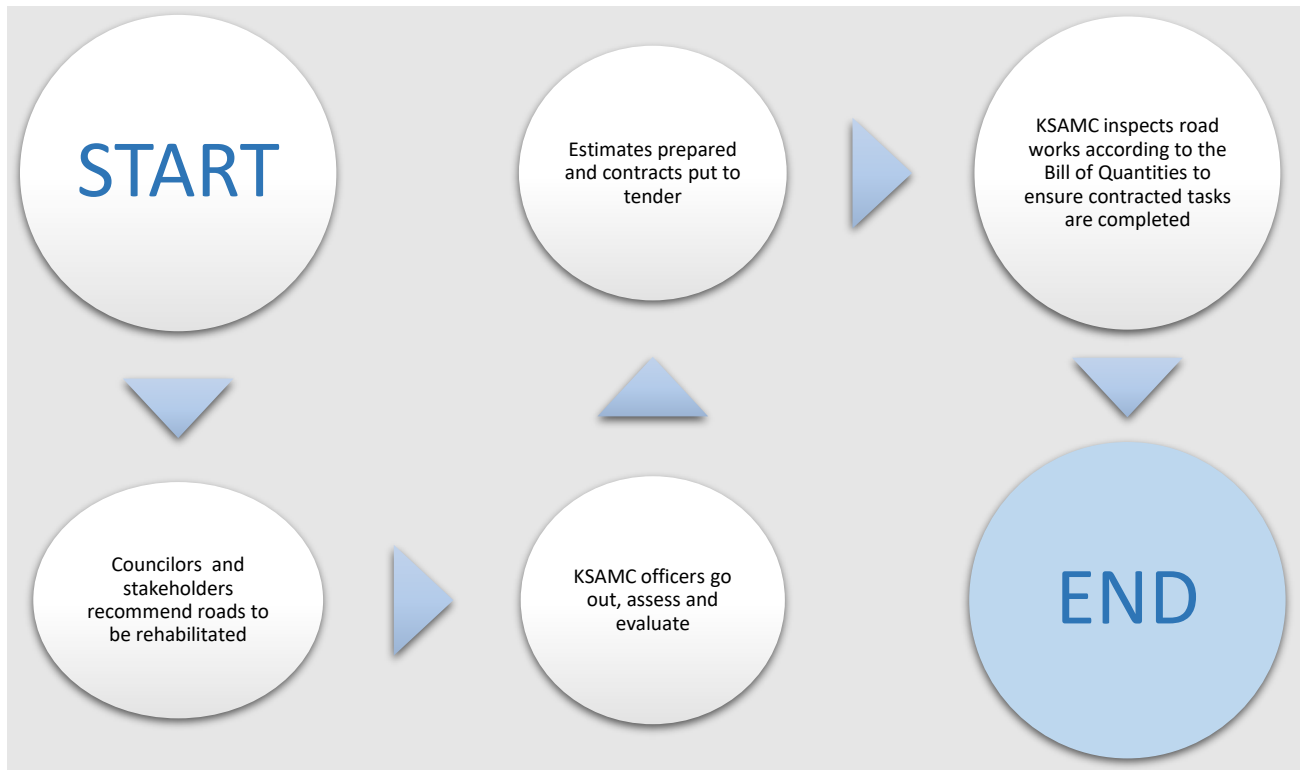
Source: KSAMC

Appendix 4: Source of funding and expenditure related to parochial roads rehabilitation and maintenance for the period 2014-2015 to 2019-2020

INCOME	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	TOTAL
PRF	505,460,923	536,124,925	561,609,208	629,909,566	734,138,531	707,877,720	3,675,120,873
EQ Fund	26,500,000	81,290,000	145,718,600	95,626,000	62,902,300	172,069,978	584,106,878
CDF	38,666,980	28,583,735	33,504,350	27,271,830	51,954,600	68,024,202	248,005,697
TEF	2,260,000	25,600,463	7,385,170	11,650,185	3,033,428	0	49,929,246
Total	572,887,903	671,599,123	748,217,328	764,457,581	852,028,859	947,971,900	4,557,162,694
EXPENDITURE	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	TOTAL
PRF & KSAMC Programmes	247,454,236	429,773,076	429,056,780	253,849,093	266,179,395	232,721,180	1,859,033,760
Salary Payments for Road & Works	5,862,014	6,748,661	NP	7,941,218	8,277,856	10,256,980	39,086,729
Divisional Allocation Fund	161,684,583	105,877,930	97,482,214	251,943,061	254,005,620	288,918,730	1,159,912,138
Special Grant for Repairs	0	0	0	49,510,000	77,614,400	107,849,080	234,973,480
Total PRF expenditure	415,000,833	542,399,667	526,538,994	563,243,372	606,077,271	639,745,970	3,293,006,107
EQ Fund	26,352,133	81,105,227	147,927,763	71,999,744	50,317,422	156,555,755	534,258,044
CDF	25,804,218	28,358,336	45,798,232	42,188,033	40,935,853	61,724,461	244,809,133
TEF	2,260,000	24,137,441	8,634,486	10,918,205	3,062,005	0	49,012,137
Grand Total	469,417,184	676,000,671	728,899,475	688,349,354	700,392,551	858,026,186	4,121,085,421
NET	103,470,719	-4,401,548	19,317,853	76,108,227	151,636,308	89,945,714	436,077,273

NP: Not Provided

Appendix 5: The main steps in the process of selection, approval, issuance, and inspection of road works.



Notes:

1. KSAMC mainly performs road maintenance (patching, drain cleaning) as opposed to rehabilitation.
2. Repair works: January to March – 20 Divisions
3. Priority months for Mitigation works April to August – 40 Divisions
4. Repair works: September to November – 20 Divisions
5. Repair works and beautification: December – 40 Divisions

Appendix 6: Link Road Inspection Reports

LINK ROAD INSPECTION REPORT					
Present Date	6/10/20				
Weather	SUNNY				
Inspector's Name	[REDACTED]				
Location	HOPEFIELD AVENUE				
ROAD					
DIMENSIONS	Width:	Length:		Area:	
TYPE	<input type="checkbox"/> Earth	<input type="checkbox"/> Asphalt		<input type="checkbox"/> Concrete	
DEFECTS:	Poor (1-2)	Bad (3-4)	Moderate (5-6)	Good (7-8)	Great (9-10)
Potholes					10
Cracking					10
Storm Water Settling					10
Overgrown Vegetation					10
Displacement from tree roots					10
Drainage			6		
Raveling					10
Edge Failure					10
Other					
TOTAL SCORE	76				
TYPE OF REPAIR RECOMMENDED:					
<input type="checkbox"/> Patching <input type="checkbox"/> Sealing <input type="checkbox"/> Rehabilitation <input checked="" type="checkbox"/> Other C.O.					
NOTES:					
INSPECTOR'S SIGNATURE: [REDACTED]					

LINK ROAD INSPECTION REPORT					
Present Date	1/5/20				
Weather	[REDACTED]				
Inspector's Name	[REDACTED]				
Location	WILKINS PARK AVENUE				
ROAD					
DIMENSIONS	Width:	Length:		Area:	
TYPE	<input type="checkbox"/> Earth	<input checked="" type="checkbox"/> Asphalt		<input type="checkbox"/> Concrete	
DEFECTS:	Poor (1-2)	Bad (3-4)	Moderate (5-6)	Good (7-8)	Great (9-10)
Potholes					10
Cracking					10
Storm Water Settling				8	
Overgrown Vegetation				8	
Displacement from tree roots					10
Drainage			6		
Raveling					10
Edge Failure					10
Other					
TOTAL SCORE	72				
TYPE OF REPAIR RECOMMENDED:					
<input type="checkbox"/> Patching <input type="checkbox"/> Sealing <input type="checkbox"/> Rehabilitation <input checked="" type="checkbox"/> Other					
NOTES:					
INSPECTOR'S SIGNATURE: [REDACTED]					

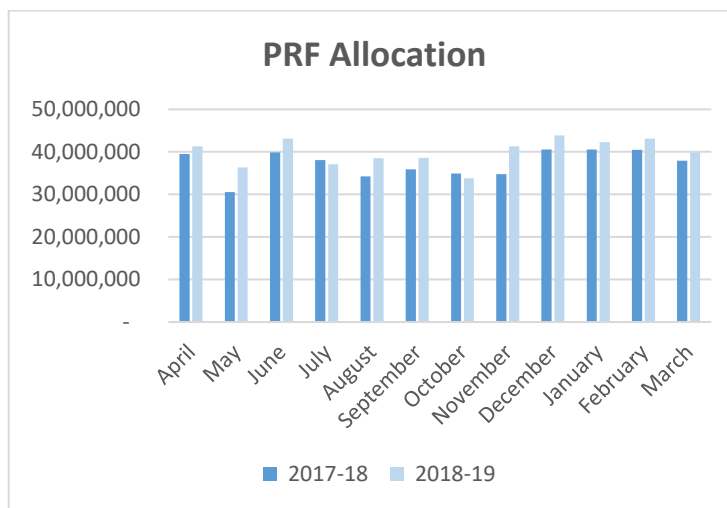
CO: Continue to Observe

Appendix 7: Gaps in Performance Evaluation Reports

Unit	Post / Name	Post / Grade	Appointment Date	Last Performance Evaluation Report (PER)	Period of Outstanding PERs (as of January 2020)
Administration	Chief Executive Officer	GMG/SEG5	28.01.15	June 2017 to Dec 2019	-
City Engineer	Chief Engineering Officer (Acting)	SOG/ST6	12.05.17	May to December 2017	24 months
City Treasurer	Director of Finance & Budget	FMG/PA1	02.09.19	Jan 2018 to Dec 2018	12 months
City Treasurer	Chief Financial Officer (Actg.)	FMG/PA3	02.09.19	Jan 2018 to Dec 2018	12 months
City Engineer	Field Officer (Contract-expired 28.01.2020-not renewed)	SOG/ST5	29.01.19	July 2019 to December 2019	-
City Engineer	Trainee Inspector (TI)	SOG/ST3	11.06.20	Nov 2019 to March 2020 (for appointment as (TI)	-
City Engineer	Temp. Asst. Superintendent - Contract	SOG/ST4	02.09.19	Jan 2020 to June 2020	-
City Engineer	Asst. Superintendent	SOG/ST4	11.06.20	Nov 2019 to March 2020	-
City Engineer	Temp. Records Clerk	PIDG/RIM1	(Acting w.e.f 14.06.19)	Jan 2018 to June 2019	6 months
City Engineer	Field Officer	SOG/ST3	01.07.03	March 2008 to Sept 2008	11 years
City Engineer	Former City Engineer Retired 06.07.20	SOG/ST8	01.04.05	May 2018 to May 2020	-
City Treasurer	Procurement Officer	GMG/AM4	27.01.16	December 2015 to June 2017	30 months

Appendix 8: PRF Expenditure (as per Monthly Work Programmes and Progress Reports) 2017-18 to 2018-2019.

	2017-2018	2018-2019
April	39,498,275	41,281,775
May	30,572,600	36,343,911
June	39,888,880	43,098,199
July	38,095,291	37,085,987
August	34,221,996	38,537,437
September	35,909,027	38,599,969
October	34,932,195	33,799,381
November	34,741,380	41,330,630
December	40,531,524	43,828,539
January	40,565,978	42,254,087
February	40,452,220	43,117,789
March	37,912,341	39,846,082
TOTAL	447,321,707	479,123,786



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Acronyms and Abbreviations

CEO	Chief Executive Officer
IA	Internal Audit Unit
INTOSAI	International Organization of Supreme Audit Institutions
KSAMC	Kingston and St. Andrew Municipal Corporation
LSDP	Local Sustainable Development Plan
MLGRD	Ministry of Local Government and Community Development
MoFPS	Ministry of Finance and Public Service
NDP	National Development Plan
NWA	National Works Agency
OCG	Office of the Contractor General
SOPs	Standard Operating Procedures