

**AUDITOR GENERAL'S DEPARTMENT
PERFORMANCE AUDIT REPORT**

**RADA'S MANAGEMENT
OF
THE REHABILITATION OF FARM ROADS**





Audit at a Glance

RADA'S MANAGEMENT OF THE REHABILITATION OF FARM ROADS



- RADA is responsible for maintaining farm roads island wide;
- RADA is the implementing agency for the Farm Road Rehabilitation Programme (FRRP), since October 2015;
- Jamaica's farm road network is estimated at 1,500 km.

Key Data

Main Findings

- RADA's annual budget did not support the maintenance of all farm roads;
- the farm road selection process, under the FRRP was not transparent;
- RADA could not clearly distinguish between farm and non-farm roads;
- RADA lacked a robust farm road management system;
- inspection and monitoring activities did not assure provision of road works consistent with contracts.



Conclusion & Recommendation

RADA must immediately strengthen surveillance over its road rehabilitation and maintenance activities to ensure adherence to quality standards and limit contract variation. The implementation of a comprehensive road inventory management system, would also assist RADA in achieving value for money from allocated funds. Whereas RADA possesses competent staff to undertake road works, RADA should also consider coordination with PIOJ and STATIN to measure the economic impact of road rehabilitation.

Auditor General's Overview

Increasingly stakeholders are demanding greater levels of transparency and accountability in the management of public funds, as many public bodies continue to demonstrate weak governance practices that often overshadow positive developments in the technical areas of their operations. For public bodies to effectively carry out their mandates and achieve value for money, they must implement systems that facilitate the efficient and effective use of resources, while upholding the principles of good governance.

Against this background, I commissioned a performance audit to determine whether the responsible entity, RADA, had in place, effective systems to provide assurance that the farm road network and related infrastructure are effectively and efficiently managed and that value is received from funds spent on the rehabilitation of farm roads. The maintenance of farm roads is linked to the national outcome of rural and agricultural development in Vision 2030 Jamaica, as transportation costs have greatly affected the farmers' access to market and by extension, Jamaica's food security and environmental sustainability.

The audit revealed that RADA did not always implement good governance principles in the management of farm road rehabilitation to enable proper planning and management of its financial resources. This was partly reflected in weak procurement management and controls over the execution of contracts, demonstrated by instances of unjustified contract variations and road re-work, factors that would have diminished the receipt of value for money. It is therefore important that RADA implement appropriate control systems to facilitate effective delivery of the farm road rehabilitation programme and reduce the risk of waste of scarce public resources.

Thanks to the management and staff of RADA 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

A priority strategy of Vision 2030 Jamaica, National Development Plan (NDP), National Outcome 12: Internationally Competitive Industry Structures, is to improve and rationalize the road network including farm roads by improving agriculture feeder roads. The contribution of agriculture to GDP, food security and environmental sustainability is vital and physical improvements in farm roads are expected to enhance market access, foster domestic agricultural production, increase employment for rural farm families and attract new entrants. The maintenance of farm roads is linked to the national outcome of rural and agricultural development.

Vision 2030 NDP identifies the Rural Agricultural Development Authority (RADA) which falls under the Ministry of Agriculture, as the entity responsible for agricultural roads. RADA's 2015-18 Strategic Business Plan stated that the programmes¹ put forward under the NDP, are intended to enhance production and productivity through a series of enabling interventions that would address the problems hampering production and simultaneously present opportunities for growth enhancement within the agricultural sector. Accordingly, RADA instituted a prioritization strategy, which entailed identifying roads it considered most in need of repairs and which when rehabilitated, would more likely contribute to the achievement of the National Vision.

Agricultural Linkages



Given the important link between the availability of quality farm roads and the national goal for Agriculture, our audit sought to determine whether RADA had in place, effective systems to manage the rehabilitation and maintenance of farm roads, based on appropriate and transparent identification and selection processes within the context of a transparent governance framework. After completion of the audit, an Exit Meeting was held with RADA to discuss the audit findings. Responses received from RADA have been considered while preparing this report and have been included where relevant.

¹ Farm Road Rehabilitation Programme (2015)



What We Found

1. RADA’s budget request for the management of farm roads was limited to the execution of road rehabilitation projects under the Farm Road Rehabilitation Programme (FRRP). RADA has responsibility for farm roads, estimated to be at least 10 per cent of Jamaica’s road network, as well as for overseeing the maintenance and development of these roads. RADA’s annual funding requests were limited to the rehabilitation of 50 km of priority roads under the FRRP. However, RADA’s budget submissions and plans² did not include funding for routine, preventative, and emergency repairs to provide an acceptable physical road infrastructure. The alignment of the budget to the Strategic Business Plan (SBP) varied from year to year; there was no consistent relationship between RADA’s budget outlined in the SBP and that requested from the Ministry of Industry, Commerce, Agriculture and Fisheries (MICAFA). RADA did not provide reasons for the difference, which not only limited the transparency of the budget process but without credible information, it may be difficult to hold to account, those involved in managing farm road projects. Further, RADA failed to provide evidence that MICAFA approved the diversion of funds allocated for farm roads, towards the repair of non-farm roads.

RADA indicated that going forward, the strategic plans would include a budget line item for maintenance of farm roads.

2. RADA could not readily distinguish between farm roads and the parochial roads managed by municipal corporations. Given that the farm road rehabilitation programme is extended to surrounding communities comprising parochial roads, we expected that RADA would have established criteria to distinguish farm roads from parochial roads to prevent overlap with municipal corporations. RADA established annual priority lists for the selection of farm roads to be rehabilitated but could not explain the basis for the selection of some farm roads. Whereas RADA’s policy required that roads selected for rehabilitation must satisfy the criteria shown below, RADA admitted that its definition of farm roads was inadequate and outdated.

Increase accessibility, especially during the rainy season.	Cause an increase in production	Have positive economic impact on the parish and its farmers
---	---------------------------------	---

RADA submitted to us an undated list comprising 408 roads totalling 960 km of the estimated 1,500 km farm roads islandwide. However, despite developing a priority list for rehabilitation, RADA could not identify which of the criteria the roads on the list satisfied, and we were unable to determine whether the stated criteria were utilised in determining the works projects; raising doubts regarding the transparency of the selection process. These challenges underscored the need for an effective inventory and data management system that can also be relied on for planning and budgeting activities, as well as link RADA’s core functions to its objective to

² Strategic, operational and procurement plans



improve agricultural production and rural development. RADA is yet to measure the economic impact on the productivity of the roads rehabilitated.

RADA advised that the lack of financial and human resources hampered the implementation of this activity but in the interim, sensitization sessions were initiated during its quarterly performance review meetings, in order to give senior management an appreciation of the importance of impact evaluation.

- 3. RADA lacked a proper roads management system to support its road rehabilitation programme.** Consistent with its mandate, we expected RADA to have a robust road inventory management system with a detailed master list of farm roads identified by location, condition and works undertaken; information necessary for the proper determination and prioritization of resources. Such a system would also provide RADA with the current status of farm roads to guide rehabilitation activities. Against this background, RADA, which continually revised its budget for farm road rehabilitation, failed to document reasons for revisions and often excluded or scoped out critical elements such as drainage after the commencement of contracts, in order to stay within budget.

RADA indicated that they intend to develop a system whereby roads would be identified by "(GPS), distance, condition of surface, drainage, estimate of works to be done, number of farmers served, agricultural production in the area (type of enterprise, hectareage in use and output) and expected impact of the rehabilitation investment among other demographics." However, a timeline for full implementation was not provided.

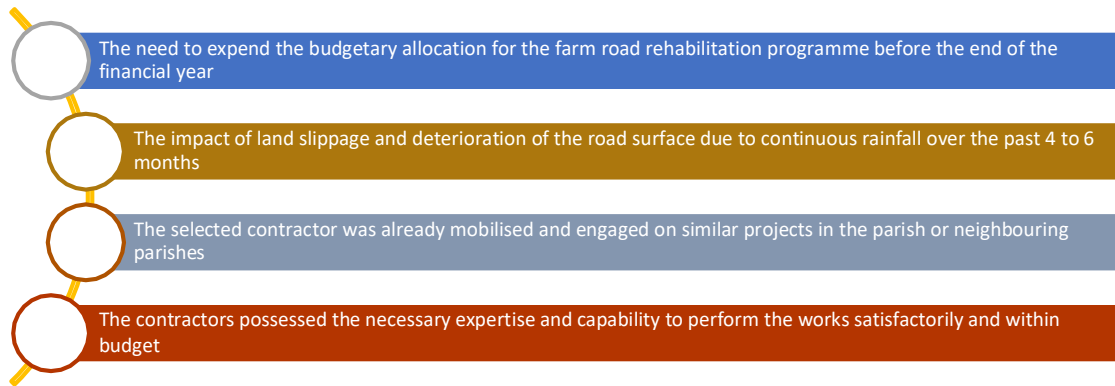
- 4. RADA's process of selecting contractors was not always transparent or competitive.** We reviewed 112 road rehabilitation contracts valued at \$1.6 billion and noted that RADA used the local competitive bidding methodology (LCB) for only four contracts valued at \$90.8 million. Conversely, RADA utilized the limited tender (LT) methodology for 75 contracts (67 per cent), valuing \$1.04 billion. RADA was unable to indicate the basis on which contractors were pre-selected for an invitation to bid on road rehabilitation contracts. Further, in six instances, RADA used the LT methodology to award contracts valuing \$129.8 million, despite the procurement guidelines not being met³, thereby denying other qualified contractors the opportunity to participate in the procurement process.



RADA also utilized the direct procurement and emergency methodologies for 33 contracts valuing \$520.93 million although the allowable circumstances permitting the direct and emergency procurement methodologies were not met. For instance, in 25 of the 33 direct and

³As revised via MOFP circular No. 27 dated September 28, 2016, the Procurement Guidelines authorise the use of the limited tender methodology for contracts valued up to \$20 million. Above this threshold (up to \$150 million), local competitive bidding should be applied

emergency contracts valuing \$401 million (77 per cent)⁴ RADA's justification for the use of these methodologies did not conform with the procurement guidelines. The reasons cited by RADA were:



Proper planning would have enabled the use of the competitive bidding process via public advertisement of the procurement opportunity, thereby facilitating transparency and achieving the best price.

Tender Evaluation Reports (TER) for the 112 contracts examined, revealed no evidence that RADA assessed bidders to determine whether they met the minimum qualifying criteria in compliance with the Instruction to Bidders and Procurement Guidelines⁵. We noted that RADA's due diligence process related to the selection of contractors was limited to the validity of the Tax Compliance Certificate (TCC) and the National Contracts Commission (NCC), and selection based on the lowest bid. RADA did not provide any evidence it conducted a prequalification exercise of potential bidders for limited tender contracts, in accordance with Section A7.3 of the Invitation to Bidders, which requires RADA to evaluate bids to determine compliance⁶ with regulations and includes assessment of experience in similar works, qualification and expertise of key management and technical personnel.

- 5. RADA's omission of critical specifications from road rehabilitation contracts, coupled with the absence of routine and regular maintenance, heightened the risk of sub-standard works.** We expected that RADA would ensure that the design for farm roads included proper drainage, to allow for adequate water run-off and extend the life of the road. RADA frequently re-scoped works to omit infrastructure that were deemed critical, such as drains and culverts and changed the location of contracted works without any evidence of re-measurements. We reviewed 46 contracts relating to 117 roads and found 53 instances where deliverables of the contracts works were re-scoped by works engineers and the Chief Executive Officer (CEO) to exclude the required drainage, culverts and pavements. In 33 of the 53 instances, the specification for drainage was omitted or adjusted despite RADA's records⁷ showing that the entity had

⁴ 14 contractors

⁵ Section 1.1.3 of the GOJ Revised Handbook of Public Sector Procurement Procedures - Vol 2 March 2014: Limited Tender - Criteria for selecting contractors should include: (a) the nature of the good/service/works required; (b) the contractor's relevant experience; (c) the contractor's past performance record; and (d) the contractor's current financial and technical capacities.

⁶ Valid Tax Compliance Certificate (TCC) and Valid NCC Certificate in General Road Works (Grade 1-3) or Road Maintenance (Grade 1-3)

⁷ RADA National Board Minutes, February 8 2018

identified that the quality of roadwork could be easily undone by rainfall due to inadequate drainage. Our survey⁸ of farmers revealed that while some acknowledged that repaired roads made it easier to get to and from their farms and reduced wear and tear on their motor vehicles, many complained of poor drainage on some newly rehabilitated roads. RADA's records showed that all these projects were frequently scoped down by the works engineer at the same cost level, by excluding critical drains and culverts which are key components of road infrastructure that could ensure its longevity.

There were also instances of incorrect application of variation orders. For seven contracts, related to nine roads, repair cost totalling \$50.7 million, RADA changed the location of works, a critical component of the contracts, using variation orders, instead of formulating a new contract as required under the guidelines since these new roads were not named in the original contract⁹. We were not assured that value for money was obtained as the 'variation orders' did not provide justifications or estimates of cost related to the changes, to ascertain whether the additional works could have been undertaken at lower costs through competitive tender. Further, we noted that four of the roads substituted were on RADA's priority list to be rehabilitated, which raises further questions regarding the transparency of the selection process. This also underscored the importance of a roads management database, specifying location and condition, to provide some assurance that all farm roads are taken into account in the rehabilitation, planning and budgeting process.

- 6. RADA's inspection and monitoring activities were inconsistent with its quality assurance framework.** As part of its quality management, RADA developed guidelines related to key quality requirements for general work activities such as bushing, drainage, earthworks and pavement. An inspection checklist was also developed for use by works engineers to verify whether each phase of the road work complied with requirements. RADA stated that its works engineers were usually on site throughout the road projects to carry out quality checks and on completion of road works are required to inspect the road and related structures for deficiencies and defects. However, we found no notations on inspection checklists regarding the nature, frequency of testing and physical conditions of the roads during monitoring and inspection activities. Consequently, we could not determine how RADA assured itself of adherence to guidelines or if the quality of the construction complied with the design specifications.

Our review of RADA's Internal Audit Reports highlighted that site inspections conducted in February 2018,¹⁰ indicated that roads rehabilitated in late 2017 had begun to show signs of deterioration, (e.g. potholes) in a short period (3-4 months) after rehabilitation. This supported our concern that RADA did not take steps to assure itself that contractor(s) rehabilitated roads to quality standards, through performance tests or inspections by works engineers throughout the process.

⁸ Farmers responded to a mini questionnaire during site visits of three roads rehabilitated during the period 2015 to 2019: Flamstead to Queenshythe – St. Ann; Cocoa Walk – St. Catherine and Spring Park – St Elizabeth

¹⁰ IA report dated March 5 2018

RADA indicated a desire to develop an in-house contract register to monitor the performance of contractors, but did not specify a timeframe in which this would be implemented.

What Should Be Done

GOING FORWARD

- **RADA needs to align its strategic plan** to embrace routine, preventative and emergency repairs.
- **RADA should consider implementing a road inventory management system** for roads under its purview.
- **RADA should review its current systems** to ensure adherence to quality standards and guidelines, related to its road works.
- **RADA should consider coordination with PIOJ and STATIN** to enable the measurement of the economic impact of road rehabilitation.