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EXTRACTS FROM AUDIT REPORTS CARRIED OUT ON CONVENTIONAL ROAD FUNDS

(Compiled by Ian G. Heggie, revised February 1998)

These audits were primarily carried out on conventional (first generation) road funds, or commercially managed road funds with weak boards (Yemen). The extracts speak for themselves and have been presented as closely as possible to the wording in the original reports, except for Yemen where it is based on the Task Manager's assessment. Changes have only been introduced to shorten the text. The audit reports confirm that: (i) control of revenues is particularly weak and substantial sums appear to "disappear" before reaching the road fund; (ii) the poor financial controls weaken financial discipline; and (iii) the MOF and IMF have good reasons for opposing conventional road funds — they simply don't work.

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EXTRACTS FROM AUDIT REPORTS CARRIED OUT ON CONVENTIONAL ROAD FUNDS

ZAMBIA (05/93 TO 11/94)

Extracts from the audit report on the fuel levy account (road fund) before the National Roads Board was set up to manage the road fund. The report covered the period May 1993 to November 1994. The audit was carried out by the Auditor General's Office.

No guidelines and accounting instructions were issued to enable effective management of the funds raised.

ZIMOIL collected 100 percent of the revenues, but only 97.7 percent was remitted to MOF and later transferred to the MOW (i.e., \$320,000 disappeared before it reached MOW). Of the amount transferred, only 96.9 percent was deposited into the road fund account (i.e., a further \$440,000 disappeared before it reached the road fund).

No bank reconciliations were carried out and, in spite of the large sums of money involved, the people authorized to sign withdrawal applications were relatively junior staff in MOW.

About \$0.5 mill was paid for materials which were never supplied.

About \$0.6 mill was used to pay for items which should have been covered through normal budgetary provisions.

About \$4.7 mill was released through Provincial Accounting Control Units for road rehabilitation. No guidelines for the disbursement of funds were provided. No expenditure returns were submitted by the Provincial Permanent secretaries and no expenditure returns were requested before further funds were released

Some of the releases disbursed to PACUs in the provinces were passed on to district and municipal councils from whom no expenditure returns were received.

About \$6 mill was paid to contractors without any reliable records to show that the work had been done.

About \$70,000 was paid for purchase of vehicles, but there were no records showing that the vehicles had been received.

Funds were also used to pay hotel bills, including substantial amounts billed as extraneous expenses.

SIERRA LEONE (9/89 TO 12/91)

Extracts from the audit report from September 1989 to December 1991. This was before establishment of the Sierra Leone Road Authority and when the road fund was managed by the MOW.

Parliament approved setting up the road fund. A fuel levy was introduced and collected by the Controller of Customs. The proceeds were deposited in an account with the bank of Sierra Leone. In February 1990, the Customs reduced the amount paid into the road fund and in June 1991 suspended payments completely, even though the road users continued to pay the fuel levy.

There were no guidelines issued to stipulate which payments could be made from the road fund. and substantial amounts were spent on vehicles and materials.

The total sums collected from road users were not paid over to the Bank of Sierra Leone to be put to the purpose for which they were collected. Payments were instead made to the consolidated fund in the form of excise duties.

The funds available to MOW from the road fund were not used judiciously to achieve the objective of better maintained roads.

About \$200,000 was used to purchase vehicles which were never delivered.

Although there were no guidelines regarding use of funds, the presumption was that the funds were intended for road maintenance. Instead, substantial sums were spent on refurbishing offices, purchasing 1,800 yards of carpet, carrying out repairs at State House and the Parliament building, etc.

A substantial proportion of expenditure was on purchase of vehicles.

An inspection of some rehabilitated roads revealed that they were still in poor condition.

SIERRA LEONE (1/92 TO 6/92)

Extracts from the audit report from January 1992 to June 1992. The second audit covered the final 6 months before establishment of the Sierra Leone Road Authority. During this period, the road fund continued to be managed by the MOW.

Records of quantities of fuel oil sold compared to bills of entry submitted to the Controller of Customs, suggest that a substantial sum of money has been collected from road users but not paid into the road fund.

Although legislation specifies that vehicle licensing and registration fees are supposed to be paid into the road fund, the Act is not being complied with.

At the end of December, there was a balance of about \$1,000 in the road fund. However, it has not been possible to ascertain to what purpose this money has been put, since the relevant vote book and bank statements cannot be found. Bank statements for January 1992 can also not be traced.

Otherwise, the audit report catalogues over-payments, lapses in procurement arrangements, and other weak accounting practices.

TANZANIA (MINISTRY OF WORKS ROAD FUND)(FY92/93)

*Extracts from the FY92/93 audit report on the Ministry of Works road fund.
The report was prepared by the Auditor General's Office.*

Treasury has never issued regulations or directions for the control and management of the Fund. Guidelines and instructions issued by MWCT were not properly observed and there is no proper system for documents and record keeping.

Cash book balance at close of the year varied with the bank reconciliation statement by about \$60,000. Unpresented checks, wrong debits and credits were not incorporated in the consolidated bank reconciliation statement.

The road fund was used to finance recurrent expenditure items not covered by the directives/circulars issued by MWCT/MOF, e.g., leave payments, ferry operations, electricity bills, and gratuities (approx. \$150,000).

Payments made without supporting vouchers or documents. Ledgers for fuel delivery and utilization missing. Payment to casual laborers without records stating the nature and location of work performed. Hire charges to transporters without supporting records. Night-out allowances to officials without authenticated eligibility. Total about \$1.5 million.

TANZANIA (LOCAL GOVERNMENT ROAD FUND)(FY92/93)

Extracts from the FY92/93 audit report on the local government road fund. The report was prepared by the Auditor General's Office.

No regulations or guidelines have been issued for the proper management, control and accounting of the local government road fund.

No supporting schedules for expenditures totaling 78.5 percent of the road fund expenditures were prepared and submitted for audit verification.

No account was produced for 20.3 percent of the road fund expenditures which was paid to the Ministry of Regional Administration and Local Government during 1991/92.

No bank reconciliation statement was prepared to support cash appearing in the balance sheet and held in the bank account. The amount was also in variance with the cash book balance (the latter being lower by over \$100,000).

Treasury records show that a certain sum was disbursed to the local government road fund. However, the statement of receipts and payments shows that more funds were received from the treasury (about \$15,000 more).

A total sum of about \$60,000 was paid to various councils but could not be traced as having been received and accounted for by the councils.

An amount equivalent to 25.6 percent of total expenditures was utilized by various councils on activities not authorized under the Ordinance setting up the road fund (cleaning of Dar Es Salaam, salaries, construction of houses, part of the costs of Pope John Paul II's visit, etc.).

A total of 20.3 percent of expenditures were inadequately vouched.

GHANA (CY93)

Extracts from the audit report for CY93. Audit carried out by a local, private sector accounting firm.

The accuracy and reliability of the balance of the account is always in doubt because: (i) certain vehicle examination and licensing fees have been paid into unauthorized accounts; (ii) transfers from certain commercial banks have failed to appear in the bank statement; and (iii) payments made to district treasuries and commercial banks have not been transmitted to the Fund Account.

The Fund should employ full time competent qualified accounting personnel who should keep a cash book or ledger to enable preparation of bank reconciliation statements to highlight missing revenue as a result of mispostings, omissions, misappropriations, delayed transfers, etc.

We are satisfied that withdrawals from the Fund, which were properly authorized, were used exclusively for payments which conformed to the parliamentary instrument setting up the Road Fund.

The road fund also receives the revenue from the toll road between Accra and Tema. Staff from Tolcon in South Africa noted the following after visiting the toll stations. *The control of the [toll] collection is inadequate. The only control [over toll revenue] was tickets torn off a roll and handed to the motorist as a receipt. In many cases the drivers paid and drove off without taking a ticket. In these cases the toll is practically lost as the payment has not been recorded .. It would be possible to increase the revenue collected without excessive increases in the toll tariff.*

MOZAMBIQUE (FY93 AND 94)

Extracts from the 1993 and 1994 audit reports on the road fund. The report was prepared by private auditors.

The accounts for 1993 and 1994 are not comparable because they follow different accounting rules. In 1993 the accounts were kept on a cash basis, while the 1994 accounts were done on an accrual basis. This may explain why “accounts payable” were large in 1994 compared to 1993.

We were not able to verify the flow of money between Petromac (the oil company importing fuel), the Ministry of Finance and the road fund. We cannot therefore certify whether the road fund received all the revenues due to it from the levies on gasoline and diesel.

We also could not verify the revenue from international transit fees. The tickets sold are not dated and that prevents us establishing when they were bought and in which year the revenues were earned.

There were no major issues on the expenditure side of the accounts.

RWANDA (FY91)

Extracts from the 1991 audit report on the road fund. The report was prepared by private auditors.

We were unable to certify the accounts due to a general lack of financial information and lack of specific information on the revenue side. There is an urgent need to introduce a comprehensive and reliable accounting system.

CENTRAL AFRICAN REPUBLIC (FY93/94)

Extracts from the 1993 and 1994 audit report on the road fund. The report was prepared by private auditors.

We could not certify the 1993 and 1994 accounts because: (i) no inventory of assets held was carried out; and (ii) an “irregular” loan of CFAF340 million was taken out of the road fund by the Government [to pay civil service salaries].

Otherwise, there were no particular problems with the way the accounts were prepared and all revenues and expenditures appear to have been correctly reported.

YEMEN (FY97)

Comments by the Bank Task Manager, based on the FY97 report of the private auditors.

The auditor discovered several problems in the way the fund did business, particularly during the early start-up phase. With the active participation of a Minister, the road fund:

- (i) signed contracts which had not been tendered;
- (ii) provided large salary advances to staff;
- (iii) bought about 20 new saloon cars;

etc., etc.

The Chairman of the road fund has been placed on administrative leave.